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FRANCHISE DISCLOSURE DOCUMENT

Department of Business Oversight
Los Angeles Office



Hot Head Franchising, LLC
An Ohio limited liability company
2795 Culver Ave
Kettering, Ohio 45429
(937) 545-4408
www.hothheadburritos.com
Office@HotHeadBurritos.com

Hot Head Franchising, LLC offers individual unit franchises for the operation of a Hot Head Burritos® restaurant ("Restaurant"), selling a variety of Mexican food including burritos, tacos, nachos, quesadillas, salsas and related food and beverages for the individual consumer.

The total investment necessary to begin operation of a Restaurant is from \$212,150 to \$677,950. This includes \$16,500 to \$36,500 that must be paid to us.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Ray Wiley at 2795 Culver Ave, Kettering, Ohio 45429, (937) 545-4408.

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

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

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

Issuance Date: April 30, 2018

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in **Exhibit C** for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY NON-BINDING MEDIATION ONLY IN THE STATE WHERE OUR CORPORATE HEADQUARTERS ARE LOCATED, CURRENTLY OHIO, THEN TO BINDING ARBITRATION ONLY IN THE STATE WHERE OUR CORPORATE HEADQUARTERS ARE LOCATED, CURRENTLY OHIO. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR ARBITRATE WITH US IN OHIO THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT OHIO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more area developers, FRANCHISE BROKERS or referral sources to assist us in selling our franchise. An area developer, franchise broker or referral source 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 this franchise.

Effective Date: See the next page for state effective dates

STATE EFFECTIVE DATES

The following states require that the disclosure document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This 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
Illinois	May 1, 2018
Indiana	May 1, 2018
Washington	Pending

In the states listed below, the effective date (and issuance date) of this disclosure document is April 30, 2018.

Alabama	Kansas	New Mexico
Alaska	Kentucky	North Carolina
Arizona	Louisiana	Ohio
Arkansas	Maine	Oklahoma
Colorado	Massachusetts	Oregon
Connecticut	Michigan	Pennsylvania
Delaware	Mississippi	South Carolina
District of Columbia	Missouri	Tennessee
Florida	Montana	Texas
Georgia	Nevada	Vermont
Idaho	New Hampshire	West Virginia
Iowa	New Jersey	Wyoming

**NOTICE REQUIRED
BY
STATE OF MICHIGAN**

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

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

- (a) A prohibition on the right of a franchise to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions 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 franchised 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.

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

(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 or 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 franchisee 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 franchisor or proposed transferee to remit any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.

* * * *

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

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EXHIBITS

EXHIBIT A -	Financial Statements
EXHIBIT B -	Franchise Agreement (and Exhibits)
EXHIBIT C -	List of State Administrators; Agents for Service of Process
EXHIBIT D -	List of Franchisees and Former Franchisees
EXHIBIT E -	Disclosure Acknowledgment Agreement
EXHIBIT F -	State Specific Appendix
EXHIBIT G -	Area Developers
EXHIBIT H -	Receipt Pages

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “we” means Hot Head Franchising, LLC, the franchisor. “You” means the person who buys the franchise. If a corporation, partnership or limited liability company buys a franchise, “you” also may refer to the shareholders of the corporation, partners of the partnership or members of the limited liability company.

The Franchisor

We are an Ohio limited liability company formed on August 17, 2009. Our principal place of business is at 2795 Culver Ave, Kettering, Ohio 45429; telephone number is (937) 545-4408. Our agents for service of process are disclosed in Exhibit C.

Our Business Experience

We sell franchises for the operation of Restaurants offering a variety of Mexican food, including burritos, tacos, nachos, quesadillas, salsas and related food and beverage products under the name “Hot Head Burritos” (the “Restaurants”). We have offered franchises for Hot Head Burritos® Restaurants since November 2009. Under a separate disclosure document, we also sell franchises for Hot Head Burritos® area developers. These area developers assist us in recruiting prospective franchisees, and provide certain site and support services to Restaurant franchisees in a particular geographic area. If your Restaurant is located in an area developer’s geographic area, the area developer will provide you with certain site and support services. See Exhibit G for a list of our area developers as of the issuance date of the disclosure document.

The Hot Head Burritos® Restaurant concept was created in December 2006 by Ray and Cynthia Wiley, our predecessors. A Little Bit More, LLC, an Ohio limited liability company, then-controlled by the Wileys, opened the first Restaurant in March 2007. As of the date of this disclosure document, Ray Wiley, through companies he controls, owns 13 Restaurants in the greater Dayton, Ohio, area. These 13 Restaurants are affiliate-owned and are not franchised outlets. In addition, Cynthia Wiley in the past has owned affiliate-owned Restaurants. Her principal business address is 3807 Mesquite Dr., Beavercreek, Ohio 45440. Ray Wiley, as a predecessor, shares our principal business address.

Our affiliate, Rapid Fired Pizza Franchising, LLC, has offered franchises for Rapid Fired Pizza® restaurants since October 2015. Rapid Fired Pizza® restaurants offer a variety of Italian food including pizza, calzones, bread sticks, cheese sticks and salads and related food and beverages. As of December 31, 2017, there were 12 Rapid Fired Pizza® franchisees. Rapid Fired Pizza Franchising, LLC has never operated a Hot Head Burritos® restaurant nor offered franchises in any other line of business. The principal business address of Rapid Fired Pizza Franchising, LLC is 2795 Culver Avenue, Kettering, Ohio 45429.

Other than as described, we have no affiliates, predecessors or parents required to be disclosed in this Item 1.

Franchise Offered

You sign a "Franchise Agreement" to receive the right to own and operate a Restaurant at a location we approve, offering the products and services we approve and using our formats, designs, methods, specifications, standards, operating and marketing procedures and the "Marks" (as defined in Item 13), including the Mark "Hot Head Burritos" (collectively, the "System").

Market, Competition, Laws and Regulations

A Restaurant will offer different types of Mexican food and related products available for the customer. The typical customer includes any individual who enjoys Mexican food. Your competition is well developed and will include other franchised and company-owned Mexican restaurant chains, as well as local stores and restaurants offering prepared Mexican food or other related products.

In addition to laws and regulations that apply to businesses generally, federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Restaurant, including those which (a) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants and disclosure of nutritional information; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (b) establish standards pertaining to employee health and safety; (c) establish standards and requirements for fire safety and general emergency preparedness; and (d) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance.

ITEM 2

BUSINESS EXPERIENCE

CEO, President and Director, Ray Wiley

Ray Wiley has been our CEO and President since August 2017. Mr. Wiley served as Co-President from January 2014 through July 2017. He also has been a Director since our inception in August 2009. Mr. Wiley served as our President from August 2009 until December 2013. Mr. Wiley also has been the President of Cynray, Inc., an entity which operates Subway® franchised units, in the greater Dayton, Ohio, area, since June 1999. Mr. Wiley also has been Co-Manager and an owner of A Little Bit More, LLC, from January 2007 until February 2015, and its Manager and owner since February 2015; a Manager and owner of Mr. Burrito, LLC, since July 2007; a Manager and owner M.C.R.L., LLC since June 2008; and a Manager of HHB Cincy, LLC since August 2017. These companies own Hot Head Burritos® Restaurants in the greater Dayton and Cincinnati, Ohio areas. Since October 2015, Mr. Wiley also has served as

the President of Rapid Fired Pizza Franchising, LLC, and its affiliate, Rapid Fired One, LLC, located in Kettering, Ohio.

Vice President, Matthew Curtis

Matthew Curtis has been our Vice President since August 2017. Mr. Curtis has been Secretary of Rapid Fired Pizza Franchising, LLC in Kettering, Ohio since October 2015 and the Secretary of Rapid Fired One, LLC in Kettering, Ohio since March 2015. Mr. Curtis also has been a Hot Head Burritos® franchisee and area developer in Columbus and Toledo, Ohio, since September 2011, and the owner of Artisan Construction Services in Beavercreek, Ohio, since 2002.

Secretary, Kelly Gray

Kelly Gray has been our Secretary since August 2017. Ms. Gray has been Vice President of Rapid Fired Pizza Franchising, LLC in Kettering, Ohio since October 2015. Ms. Gray also has been the Vice President of Rapid Fired One, LLC in Kettering, Ohio since March 2015, and the President of Green Pizza, LLC in the Greenville, Ohio area since June 2016. Ms. Gray also has been President of Destination Success, Inc. in Xenia, Ohio, since June 2006.

Director of Operations, Ryan Cancino

Ryan Cancino has been our Director of Operations since March 2012. From March 2008 until March 2012, Mr. Cancino was the Lead Supervisor and Head of Operations for one of our affiliate-owned Restaurants in the Dayton, Ohio area.

See Exhibit G for a list of our area developers.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item. See Exhibit G for any disclosures for our area developers.

ITEM 4

BANKRUPTCY

On April 10, 2009, our Director of Operations, Ryan Cancino, filed a bankruptcy petition with the United States Bankruptcy Court for the Southern District of Ohio under the liquidation provisions of Chapter 7 of the U.S. Bankruptcy Code (Ryan G. Cancino and Bonnie K. Cancino, 3:09-bk-32111). On July 27, 2009 the bankruptcy court entered a discharge.

Except as provided above, no bankruptcy information is required to be disclosed in this Item. See Exhibit G for any disclosures for our area developers.

ITEM 5

INITIAL FEES

The "Initial Franchise Fee" for a Restaurant franchise is \$26,000. If you already operate a Restaurant and are purchasing an additional Restaurant, you will pay us a reduced Initial Franchise Fee of \$16,500. The Initial Franchise Fee is paid to us when you sign the Franchise Agreement and is not refundable under any circumstances.

You are required to spend a minimum of \$3,500 between the date the lease is signed and the Restaurant opening, and an additional \$3,500 during the first 90 days of Restaurant operations. We reserve the right to collect this amount and spend it on your behalf or reimburse you for qualified expenses related to your opening campaign. This amount is not refundable, except as a reimbursement for your qualified advertising expenses.

As described in Item 8, we will furnish to you one set of prototypical drawings and specifications for your Restaurant, including requirements for interior and exterior materials, decor, fixtures, equipment, furniture and signs at no additional cost. If you request additional sets of drawings and specifications, you must pay our expenses incurred to prepare such additional drawings, including the cost of our time, which we estimate may range from \$500 to \$2,500, depending on the complexity of the location. This payment is not refundable.

You will have 90 days following the date of the Franchise Agreement to identify a Restaurant site acceptable to us. If you are unable to identify a site that meets our requirements within the 90-day period, you can request an extension for a \$1,000 fee. We will determine the length of the extension (which will not exceed 6 months). Any extension fees paid are non-refundable.

ITEM 6

OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Royalty Fee	6% of total Net Sales (See Note 2)	Payable weekly by electronic funds transfer on the Wednesday of each week for the 7-day period ending Sunday of such week (Monday to Sunday) based on the Net Sales during such 7-day period.	
Income and Sales Taxes	We may collect from you the cost of all taxes arising from our licensing of intellectual property to you in the state where your Restaurant is located, as well as any assessment on fees and any other income we receive from you.	Payable weekly by electronic funds transfer at same time as Royalty Fee.	Only imposed if state collects these taxes or assessments.

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Marketing Fee	Currently 0.70% of total Net Sales.	Payable by electronic funds transfer at same time as Royalty Fee.	We may increase this fee to 5% of Net Sales, but the total amount you must spend on the national Marketing Fee, the local advertising and cooperative advertising will not exceed 5% of Net Sales. See Item 11
Local Advertising	Currently 2% of total Net Sales.	Minimum amount must be spent during each calendar year (except for 60-day requirement for Restaurant opening campaign).	We may increase this fee to 5% of Net Sales, but the total amount you must spend on the national Marketing Fee, the local advertising and cooperative advertising will not exceed 5% of Net Sales. See Note 3
Advertising Cooperative	Currently, between 3-4% of total Net Sales; varies for different cooperatives.	Established by us.	This amount may be increased up to 5% of New Sales, but the total amount you must spend on the national Marketing Fee, local advertising and cooperative advertising will not exceed 5% of Net Sales. See Note 3
Restaurant Opening Campaign	A minimum of \$3,500 spent between the date the lease is signed and the Restaurant opening, and an additional \$3,500 during the first 90 days of Restaurant operations.	When incurred	We reserve the right to collect this amount and spend it on your behalf or reimburse you for qualified expenses related to your opening campaign. See Note 4
Franchise Agreement Extension Fee	At our option, we may charge you \$1,000 for an extension of up to 6 months	Payable when you request an extension of time in which to open the Restaurant.	Limited to a single extension to the time period in which to open the Restaurant (if we allow extension).
Approved Supplier/Product Testing Fee	Will vary under circumstances	Payable when you request our approval of a proposed supplier or product.	
Change of Location Fees	25% of our then-current Initial Franchise Fee	Payable (at our option) before we review the proposed new Restaurant site.	We reserve the right to charge this fee if you desire to change the location of your Restaurant. Also, see Note 4
Transfer Fee	50% of then-current standard Initial Franchise Fee. 25% of our then-current Initial Franchise Fee if transfer is to an existing Hot Head Burritos® franchisee	Before completion of transfer.	You pay this fee when the Franchise Agreement or a substantial portion of the assets of the Restaurant or any controlling interest in you is transferred.
Renewal Fee	\$2,500	At least 30 days before renewal of Franchise Agreement.	
Remodeling Expenses	Will vary under circumstances	When incurred	See Note 4
Costs and Attorneys' Fees	Will vary under circumstances	When incurred	We may recover costs and reasonable attorneys' fees if you lose in a dispute with us.
Audit	Cost of audit plus 1½% interest per month from due date.	30 days after billing	Payable only if audit shows an understatement of at least 3% of Net Sales for any month.
Interest Expenses	Lesser of 18% per year or the maximum rate permitted by law	When due	Payable if you do not timely pay Royalty Fee, Marketing Fee or other amounts owed to us or our affiliates.

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Insurance	Cost of insurance	Payable before opening	If you fail to obtain and maintain required insurance, we may immediately obtain insurance and you must promptly reimburse us for insurance, including late charges, together with an administrative fee equal to 5% of the insurance premium.
Proprietary Software License Fee	We currently do not charge this fee but may charge it in the future. The fee will not exceed \$10,000.	When incurred	We reserve the right to charge you a license fee related to your use of the Proprietary Software. See Item 11
Software Support	We currently do not directly charge this fee (our designated software supplier does) but may charge it in the future. Our supplier currently charges \$600/year for Software Support and up to \$2700/year for the related programs and systems.	Payable monthly	See Item 11
Operating Assistance	Currently \$500 per day	When incurred	We may provide you with additional operating assistance for a fee. You may request such assistance or we may require such assistance.
Mystery Shopper Program Expenses	Cost of third party mystery shopper services	When incurred	Payable if we establish a mystery shopper program and seek reimbursement for third-party fees related to your Restaurant

Notes:

1. Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed. We may collect all or a portion of the fees due us by electronic transfer of funds from your bank account. You must sign electronic transfer of funds authorizations and other documents to authorize bank transfers.
2. "Net Sales" generally means the aggregate amount of all sales of goods and services (including service charges in lieu of gratuity), whether for cash, on credit or otherwise, made or provided in connection with the Restaurant, but excluding taxes you pay or accrue and returns of saleable goods.
3. If you do not spend the required minimum amount during the calendar year for approved local or cooperative (if applicable) advertising, you must deposit with us the difference between what you should have spent for advertising during the calendar year and what you actually spent for approved advertising during the calendar year. We will deposit these monies in the Hot Head Advertising Fund, which is our marketing and advertising fund to advertise and promote Hot Heads Burritos® Restaurants (see Item 11 for further discussion).
4. If you do not spend the required minimum amount for approved advertising related to your opening campaign, you must deposit with us the difference between what you should have spent on your opening campaign and what you actually spent on your opening campaign.

We will deposit these monies in the Hot Head Advertising Fund (see Item 11 for further discussion).

5. You must remodel your Restaurant on notice from us; however, the cost of the remodel will be limited to \$20,000 unless it is requested: (a) five (5) years after the date of your Franchise Agreement, (b) as a condition of transferring your restaurant, or (b) as a condition of the renewal of your Franchise Agreement. The scope of refurbishing may range from simply painting the Restaurant to completely refurbishing the entire Restaurant, including replacement of fixtures, signs, supplies and equipment. We cannot estimate the current cost for a refurbishing project because the refurbishing requirements will vary from Restaurant to Restaurant. You may make these payments in whole or in part to various third parties. If you relocate your Restaurant, you will incur certain build-out or remodeling expenses at the new Restaurant premises in addition to paying us the relocation fee.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (See Note 1)	Amount (See Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee See Note 3	\$16,500 - \$26,000 See Note 3	Lump Sum	When you sign the Franchise Agreement	Us
Lease Deposit, Utility Deposit and Rent - 3 months See Note 4	\$9,000 to \$27,000	See Note 4	See Note 4	See Note 4
Leasehold Improvements See Note 4	\$96,000 to \$300,000	As Agreed Upon	As Incurred	Landlord, Various Third Parties
Equipment, Signs, Fixtures and Furniture See Note 5	\$49,750 to \$200,000 See Note 6	As Agreed Upon	Before Opening	Various Suppliers and Us
Initial Inventory See Note 6	\$4,000 to \$6,500	As Agreed Upon	As Ordered	Various Suppliers, Us
POS System See Note 7	\$6,650 to \$10,950	Lump Sum	Before Opening	Various Suppliers
Miscellaneous Pre-opening Expenses See Note 8	\$6,750 to \$50,000	As Incurred	Before Opening	Various Third Parties
Training Expenses See Note 9	\$7,000 to \$15,000	As Incurred	Before Opening	Various Third Parties
Opening Advertising and Promotion See Note 10	\$3,500 to \$7,500	As Incurred	As Ordered	Third Party Advertising Service Vendors
Liquor License See Note 11	\$1,000 to \$5,000	As Incurred	As Incurred	Various Third Parties
Additional Funds - 3 months See Note 12	\$12,000 to \$30,000	As Incurred	As Incurred	Employees/Suppliers
TOTAL See Note 13	\$212,150 to \$677,950			

Notes:

1. The typical size of a Hot Head Burritos® Restaurant ranges from 1,750 to 2,400 square feet. For several items discussed below, your cost will increase as the number of square feet increases. The size of your Restaurant is principally determined by requirements or restrictions that your landlord and appropriate municipality or zoning boards may impose, and availability and cost of leasable space. This Table reflects your estimated initial investment for a single Restaurant operated under a Franchise Agreement. This information assumes that you will lease the premises for your Restaurant in-line plaza. If you lease the premises in a free standing building, your costs will be higher.
2. Except where otherwise noted, all fees that you pay to us are non-refundable. Third party lessors, contractors and suppliers will decide if payments to them are refundable.
3. The Initial Franchise Fee for a Restaurant franchise is \$26,000. If you already operate a Restaurant and are purchasing an additional Restaurant, you will pay us a reduced Initial Franchise Fee of \$16,500.
4. Typical locations for your Restaurant are smaller free-standing, multiple use and strip mall locations. Assuming that you will lease the premises for your Restaurant, you will need to make certain leasehold improvements to the leased premises to comply with our approved plans and specifications. Leasehold improvements includes lighting, flooring and partition walls. We anticipate that you will negotiate the cost of leasehold improvements as part of your rental expense. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements, the size and location of the premises for your Restaurant and other economic factors. We do not recommend that you purchase the land and building for your Restaurant, and it is likely that you will incur significantly greater costs in developing your Restaurant if you choose to do so. We estimate that you may pay from \$15 to \$40 per square foot in rental expense (including common area maintenance (CAM) and taxes) for your Restaurant premises. The exact amount of rental expense will vary greatly, depending on the location of the Restaurant premises, the portion of rent representing the value of leasehold improvements at the Restaurant premises, local market conditions and other factors. You will incur greater start-up costs if you cannot negotiate the cost of leasehold improvements as part of your rental expense.
5. This amount includes estimated expenses for interior and exterior Restaurant signs and menu boards, surveillance camera and security system, waste container, small wares, cabinetry, phone system, initial package of marketing materials, office supplies and other miscellaneous items. The cost of purchasing equipment, signs and other items may vary as a result of the characteristics of the Restaurant site and price differences between suppliers and shipping distances from suppliers. We may require you to purchase certain equipment and other items from us. You may purchase or lease approved brands and models of other equipment, fixtures, furniture and signs from any approved supplier.

6. You will need to purchase an opening inventory of supplies that complies with our specifications and is purchased from us or approved suppliers. We may be an approved supplier for certain items (see Item 8). (See Item 8 for additional information.) This amount does not reflect amounts needed to replenish inventory during the initial stage of operation.
7. We require you to purchase the designated POS System (as defined in Item 11) from our designated supplier, currently Business Machine Company (See Item 11).
8. Miscellaneous expenses include uniforms, local permit and license fees, legal and accounting fees, and insurance premiums.
9. Training expenses include lodging, meals and travel expenses for 3 people to attend the initial training program.
10. You must spend a minimum of \$3,500 for Restaurant opening campaign expenses prior to the Restaurant opening and \$3,500 in the first 90 Days after opening. In certain metropolitan areas, you may need to spend a greater minimum amount on the Restaurant opening campaign. You must use our designated media vendor if we designate one and implement our recommended media plan conducting the Restaurant opening campaign. We reserve the right to require you to deposit with us this amount, which we will spend on your behalf. See Item 8 for further details.
11. We may require that you obtain a liquor license to offer beer and wine at the Restaurant. The low end of the estimate assumes you do not to offer beer and wine at the Restaurant. The high end of the estimate assumes you purchase a liquor license for beer and wine sales directly from a government agency and not from an existing holder. The cost of a liquor license can be significantly higher in a few states and municipalities where the number of licenses is severely restricted or available only from an existing holder. You should retain legal counsel specialized in obtaining and maintaining liquor licenses.
12. This amount estimates the expenses you will incur during the first 3 months of Restaurant operations, including initial wages and fringe benefits, insurance premiums, rent, taxes, Restaurant supplies and interest payments on any business loans. It does not include inventory costs beyond the opening inventory costs identified in the Table and does not include your compensation during this 3 month period. These amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, local economic conditions, the local market for Hot Head Burritos® products, the prevailing wage rate, competition, the amount of the initial investment you decide to finance, and the sales level reached during the initial period.
13. This total is an estimate of your pre-opening initial investment and the expenses you will incur during the first 3 months of Restaurant operations. This total is based on our estimate of regional (Midwest) average costs and prevailing market conditions, our affiliates' over 5 years of experience operating Restaurants and our affiliates' 16 plus years of operating quick-service franchised restaurants. You should review this amount carefully with a business advisor before deciding to purchase the franchise. These figures are estimates only

and we cannot guarantee that you will not have additional expenses in starting or operating your Hot Head Burritos® Restaurant.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To insure a uniform image and uniform quality of products and services throughout the Hot Head Burritos® system, you must maintain and comply with our quality standards.

Designated Products and Services

You must purchase for use or sale at your Restaurant those food products used in or sold at your Restaurant ("Products") and other services or products we designate from us, our designees or from other suppliers we approve. We or our designees may be the designated or sole source of supply for certain services and products. As of the date of this disclosure document, you must purchase gift cards and reward cards from us or our designee. As of the date of this disclosure document, we are not currently the sole source of supply for any other services or products. SYSCO Corporation currently is our designated or sole source of supply for proprietary Products and most other Products, such as food and supply Products. Certain designated Products, such as cash register supplies, branded carry out bags and drink cups, are purchased and warehoused by Midwest Consolidated Supply in Cincinnati, Ohio, a company in which our CEO has an ownership interest. You purchase these warehoused products through Sysco.

We (directly or through an affiliate) may in the future, receive rebates or other payments from suppliers, based directly or indirectly on sales of food products and related products, advertising materials and other items to franchisees, and from other service providers, which payments have ranged or may range from less than 1% up to 10% or more of the manufacturer's costs of those items purchased by franchisees.

Location of your Restaurant; Real Estate Lease

You must locate a site for your Restaurant that we consent to, and you may not sign a lease for the site until we have given our consent in writing. We approve locations on a case by case basis, considering items such as size, appearance and other physical characteristics of the site, demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics, such as rental obligations and other lease terms (including those that we require be in the lease). You are not required to purchase, lease or sublease the Restaurant premises from us or our affiliate. One of our officers is a commercial real estate broker, and may assist you in locating a site for your Restaurant. You are not required to work with her. If you do work with her in locating a site for your Restaurant, in certain circumstances, she may receive a commission from your landlord.

Fixtures, Equipment, Furniture & Signs

You must construct and develop your Restaurant. We will furnish to you one set of prototypical drawings and specifications for your Restaurant, including requirements for interior

and exterior materials, decor, fixtures, equipment, furniture and signs at no additional cost. If you request additional sets of drawings and specifications, you must pay our expenses incurred to prepare such additional drawings, including the cost of our time. You must meet our specifications and standards in developing your Restaurant. You must use an architect and a general contractor approved by us. You must submit construction plans and specifications to us for our approval before you begin construction of your Restaurant, and you must submit all revised plans and specifications to us during the course of construction. You must ensure that the plans and specifications comply with the Americans With Disabilities Act and all other applicable federal, state and local laws, ordinances, building code and permit requirements and lease requirements and restrictions. In developing and operating your Restaurant, you may purchase only the types of construction and decorating materials, fixtures, equipment, furniture and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance. You may purchase most of these items from any supplier who can satisfy our standards and specifications. We or our affiliate may be an approved supplier of one or more of the other items.

Computer Hardware And Software

We currently require you to purchase the POS System (including the Brinks™ software) from our designated supplier, currently Business Machine Company. See Item 11 for further information. We also currently require you to subscribe to any electronic reward program and online ordering system we establish with our designated supplier.

Insurance

You must purchase and maintain for each Restaurant you operate, at your expense, comprehensive general liability insurance (including non-owned automobile coverage) with minimum limits of at least \$2,000,000 in coverage and at least \$4,000,000 in the aggregate. You also must obtain automobile liability insurance, workers' compensation, employer liability, other insurance to meet statutory requirements or as we may require in the future. If you obtain a liquor license to offer beer and wine at your Restaurant, you also must purchase Dram Shop insurance with minimum limits of at least \$1,000,000 in coverage and at least \$2,000,000 in the aggregate. All insurance policies must insure us, you and any other person that we designate from all liability, damages or injury, must be purchased from an approved supplier and must meet all other requirements that we designate. You must provide us with all proof of insurance we require.

Advertising and Promotional Approval

You must use our designated media vendor (if any) and must implement our recommended media plan in conducting the Restaurant opening campaign. If we provide local store media planning systems, you must use our recommended media plan in promoting the Restaurant. You also must use only our approved advertising and promotional materials in promoting the Restaurant. See Item 11 for further information regarding Advertising Programs.

Supplier and Product Approval

Aside from Products and certain other items described above which you must purchase from us, our affiliates (if any) or a source we designate, we will provide you with lists of approved manufacturers, suppliers and distributors ("Approved Suppliers List") and approved Products, other inventory items, fixtures, furniture, equipment, signs, supplies and other items or services necessary to operate your Restaurant ("Approved Supplies List"). The Approved Suppliers List may specify the specific manufacturer of a specific product or piece of equipment and you can purchase those products only from a source identified on the Approved Suppliers List. For example, you must purchase your branded paper products only from a supplier identified on our Approved Suppliers List. We, an affiliate or a third-party vendor or supplier periodically may be the only approved supplier for certain products. The lists specify the suppliers and the products and services which we have approved for use in the System. We may revise these lists and provide you with a copy of approved lists as we deem advisable. If you want to use any unapproved Product, material, fixture, equipment, sign or other item, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must submit to us, at our request, sufficient specifications, photographs, drawings or other information or samples for us to determine whether the Product, services, material, fixture, equipment, sign or other item complies with our specifications, or the supplier meets our approved supplier criteria. We will notify you of our decision within 90 days following our receipt of all information requested. You must pay, at our option, the reasonable cost of the inspection and evaluation and the actual cost of the test. We may reinspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier which fails to continue to meet any of our criteria. We will send written notice of any revocation of an approved supplier or supply. As part of the approval process, we may require that a proposed supplier sign a supplier agreement covering such items as insurance, product quality, trademark use, and indemnification. We do not provide material benefits to you based on your use of designated or approved sources of supply.

We apply certain general criteria in approving a proposed supplier, including the supplier's quality and pricing of products, ability to provide products/services that meet our specifications, responsiveness, ability to provide products/services within the parameters required by the System, quickness to market with new items, financial stability, credit program for franchisees, freight costs, and the ability to provide support to the System (merchandising, field assistance, education and training respecting sales and use of products and services).

We will notify you in writing if we elect to revoke our approval of a supplier. If we revoke our approval of a supplier, you will have 30 days to stop offering, selling or using those products or other items or services in your Restaurant.

As previously described, SYSCO Corporation currently is our designated or sole source of supply for all other proprietary Products and most other Products. SYSCO Corporation purchases a limited number of non-food Products from Midwest Consolidated Supply ("MCS"). MCS provides warehouse services for these Products, which it purchases in large quantities to achieve cost savings, and it acts as a supplier to SYSCO Corporation for these Products.

One or more of our officers have an interest in us and MCS. Except as described, no other officer owns a material interest in any supplier.

During our 2017 fiscal year, we received \$228,119 in revenue as a result of franchisees' purchases of products or services, which represents 9.62% of our total revenues of \$2,370,314 according to our audited financial statements attached to this disclosure document.

Miscellaneous

We negotiate prices for numerous products for the benefit of the System, but not for any individual franchisee. We are not aware of any purchasing or distribution cooperative in the System. We attempt to receive volume discounts for the System.

You must accept those bank cards and credit cards we specifically approve in the Operations Manual.

We may license third party suppliers to produce advertising and promotion items which bear the Marks. You may purchase these items for resale or for promotional purposes from approved third party suppliers.

We estimate that the purchase or lease of Products, equipment, software, signs, fixtures, furnishings, supplies, advertising and sales promotions materials and other items which meet our specifications will represent approximately 70% to 90% of the cost to develop the Restaurant and 40% to 60% of the cost to operate your Restaurant.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2 and 6(A) of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	Sections 6(B)-(D) and 6(G) of Franchise Agreement	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 6(A)-(G) and 7(A) of Franchise Agreement	Item 5, 7, and 11
d. Initial and ongoing training	Sections 7(B), 14(C) and 15(A) of Franchise Agreement	Items 7 and 11
e. Opening	Sections 6(E)-6(G), 7(C) and 15(A) of Franchise Agreement	Items 5 and 11
f. Fees	Sections 3(B), 4, 5(A)-(C), 6(D), 6(F)-(G), 7(D), 11(C) and 14(C) of Franchise Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/ Operations Manual	Sections 5(D)-(E), 7(E) and 9 of Franchise Agreement	Items 11 and 16
h. Trademarks and proprietary information	Sections 1(A)-(B), 8 and 12 of Franchise Agreement	Items 13 and 14
i. Restriction on products/services offered	Sections 2, 9(C) and 9(E) of Franchise Agreement	Items 8 and 16

Obligation	Section in Agreement	Disclosure Document Item
j. Warranty and customer service requirements	Sections 9(F)-(H) of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Sections 2(B)-(D) of Franchise Agreement	Item 12
l. Ongoing product/service purchases	Sections 6(C)-(D), 9(A), 9(E), 9(I) and 9(L) of Franchise Agreement	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 9(A) and (B) of Franchise Agreement	Item 11
n. Insurance	Section 9(L) of Franchise Agreement	Items 6, 7 and 8
o. Advertising	Sections 5 and 6(G) of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 18 of Franchise Agreement	None
q. Owner's participation/management/staffing	Sections 9(D) and (K) of Franchise Agreement	Items 11 and 15
r. Records and reports	Section 10 of Franchise Agreement	Item 6
s. Inspections and audits	Section 11 of Franchise Agreement	Item 6
t. Transfer	Section 14 of Franchise Agreement	Items 6 and 17
u. Renewal	Section 3 of Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Sections 13(B), 13(D) and 17 of Franchise Agreement	Item 17
w. Non-competition covenants	Sections 13(C) and 13(D) of Franchise Agreement	Item 17
x. Dispute resolution	Sections 19 of Franchise Agreement	Item 17

ITEM 10

FINANCING

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

ITEM 11

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

If you locate your Restaurant in an area developer's territory, or if we appoint an area developer for an area that encompasses your Restaurant after you open, our area developer will perform some or all of the obligations that we describe in this Item 11 for us. The Franchise Agreement allows us to delegate these responsibilities. The term "we" in this Item 11 (and in other items of this disclosure document describing our obligations under the Franchise Agreement) refers interchangeably to us and to the area developer whom we may appoint to service a geographic area that includes your Restaurant.

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

Pre-Opening Assistance. Before you open your Restaurant, we or the area developer will:

- (1) Provide you with basic plans and specifications for your Restaurant, including those for dimensions, interior design and layout, building materials, fixtures, equipment, furniture, signs and décor (Franchise Agreement – Section 7(A)).
- (2) Provide the initial training program described below to you and the “Operating Manager” (as defined in Item 15) (Franchise Agreement – Section 7(B)).
- (3) Provide to you access to the confidential Operations Manual. You must keep the Operations Manual confidential and discontinue using it when the Franchise Agreement terminates (Franchise Agreement – Section 7(E)).

Ongoing Assistance. During the operation of your Restaurant, we or the area developer will:

- (1) Make available a consultant to assist you in the opening and initial operations of your Restaurant for a minimum of 5 days and up to 14 days, at our discretion (Franchise Agreement – Section 7(C)).
- (2) Provide advisory services relating to Restaurant operations, including Products and services offered for sale, selecting, purchasing other approved materials and items, employee relations, marketing assistance and sales promotion programs, and operating, administrative, bookkeeping, accounting, inventory control and general operating procedures (Franchise Agreement – Section 7(D)).
- (3) Periodically provide you with updated and revised materials for the Operations Manual (Franchise Agreement – Section 7(E)).
- (4) Operate the Hot Head Advertising Fund (Franchise Agreement – Section 5(A)).
- (5) Assist you in developing your Restaurant opening campaign (Franchise Agreement – Section 6(G)).

Advertising Programs. We establish and conduct various advertising programs as follows:

You will pay us a weekly national marketing fee in an amount we determine, not to exceed 5% of your Restaurant’s Net Sales (the “Marketing Fee”). The Marketing Fee will be offset by any amounts you spend on local advertising or that we require you to contribute to any local or regional cooperatives, up to 5%. Currently, we only require our franchisees to pay us 0.70% of their Restaurant’s Net Sales as a Marketing Fee. We deposit the Marketing Fee you are required to pay, if any, in a marketing and promotional fund (the “Hot Head Advertising Fund” or “HHAF”) to advertise and promote Hot Head Burritos® Restaurants.

We may use the HHAF funds to conduct national, regional and local advertising, marketing, promotional and public relations campaigns, including the cost of preparing and conducting print, point of purchase, radio, television, internet, social media, electronic and billboard advertising and employing advertising agencies. We also may use the HHAF funds to develop advertising and promotional materials for regional and local advertising cooperatives and for use in each franchisee's local market. In addition, we use the HHAF funds to conduct advertising and other marketing campaigns in areas which do not have the benefit of an advertising cooperative. We contract with various outside advertising agencies and third party vendors to produce certain advertising production and promotional materials and to create and implement public relations campaigns. We will determine the use of monies in the HHAF. We are reimbursed by the HHAF for reasonable administrative costs and overhead incurred in administering the HHAF.

We are not required to spend any particular amount of HHAF funds on marketing, advertising or production in the area in which your Restaurant is located. Marketing Fees not spent in any fiscal year will be carried over for future use. We may make loans to the HHAF bearing reasonable interest to cover any deficit of the HHAF and cause the HHAF to invest in a surplus for future use by the HHAF. Marketing Fees will not be used for advertising principally directed at the sale of franchises.

We began collecting Marketing Fees for deposit into the HHAF in January 2011. During our 2017 fiscal year, 82% of the HHAF contributions were spent on advertising (11%) or media placement (71%).

We do not have an advertising council composed of franchisees.

You may develop advertising materials for your own use, at your own cost, if your materials are factually correct, accurately depict the Marks, and communicate the brand position and character that we have established for Hot Head Burritos® Restaurants. If you develop advertisement materials, you must provide a copy of the materials to us for our review and approval (in writing) before you use the advertising materials.

We currently require franchisees to spend a minimum of 2% of Net Sales (subject to the 5% cap described above) on approved local advertising and promotional activities in addition to the 0.70% of Net Sales required to be paid as a Marketing Fee. Restaurant advertising and promotional activities are "approved" if they are included in our recommended media plan for the Restaurant and otherwise satisfy our requirements (described above). Amounts spent on unapproved advertising activities will not qualify in determining whether you have satisfied this minimum expense requirement.

As previously stated, we reserve the right to require you to participate in and contribute to the local or regional advertising cooperative (the "Cooperative") established in the area where your Restaurant is located. If a Cooperative is established, you must contribute an amount determined by the Cooperative, which is currently 3-4% of a Restaurant's Net Sales. The amount you are required to contribute is considered "local advertising" as described above and will offset the Marketing Fee in the same way. Currently, Cooperatives have been established in each of the Columbus, Dayton and Cincinnati, Ohio markets. All members of an individual

Cooperative, including those Restaurants owned by our affiliates, will contribute at the same rate, although the contribution percentage may vary from Cooperative to Cooperative. The Cooperative will use contributions to fund local and regional advertising and promotional campaigns and activities that we recommend or approve for use by the Cooperative. Our in-house advertising staff may establish advertising campaigns and activities that the Cooperative must use (if one has been established). Contributions to the Cooperative are credited to your local advertising obligation described above. Each Cooperative must adopt written governing documents. A copy of the governing documents of the Cooperative (if one has been established) for your market area is available upon request. Each Cooperative will determine its own voting procedures so long as those procedures are consistent with the general operating rules we have established. Members of the Cooperative and their elected officials are responsible for administering the local Cooperative. We recommend, but do not require, that each Cooperative prepare annual financial statements and make those financial statements available to all franchisees in the Cooperative. We have the power to establish advertising cooperatives and the rules under which regional and local advertising cooperatives will operate. Of the 58 Restaurants which were open during all of 2017, 48 were members of a Cooperative.

Between the date you sign the lease and the Restaurant opening, you must spend \$3,500 in marketing (of which we approve) and during the first 90 days of Restaurant operations you must spend an additional \$3,500 for local Restaurant advertising. In certain metropolitan areas, we may require that you spend a greater minimum amount on the Restaurant opening campaign. You must use our designated media vendor (if any) and implement our recommended media plan in conducting the Restaurant opening campaign. You must provide us with a monthly report during the first year of Restaurant operations which identifies expenses for local advertising. We reserve the right to collect the \$7,000 directly from you and spend it on your behalf or reimburse you for qualified expenses related to your opening campaign. If you do not spend the required minimum amount for approved advertising related to your opening campaign, you must deposit with us the difference between what you should have spent on your opening campaign and what you actually spent on your opening campaign. We will deposit these monies in the Hot Head Advertising Fund.

You must use your best efforts to promote and advertise your Restaurant and must participate in all advertising and promotional programs we establish in the manner we direct. You must, at your expense, participate in, and honor all provisions of the gift card and/or loyalty programs that we have or may establish and as we may periodically modify, as further described in the Operations Manual. You also must honor all coupons, discounts and gift certificates as we may reasonably specify in the Operations Manual or otherwise in writing. You must participate in our mystery shopper program.

The total amount we require you to spend on Marketing Fees, local advertising and promotional activities, and cooperative advertising will not exceed 5% of Net Sales each year, although our current practice is to require lesser percentages as described above.

Point-of-Sale System. You will use in your Restaurant the point-of-sale and reporting system, including all existing or future communication or data storage systems, hardware, software, technology platforms, components thereof and associated service, which we may develop or select for the System (the "POS System"). You must purchase the POS System from

us, our affiliates or a designated third party supplier. At this time, the POS System includes the Brinks™ software ("Proprietary Software"). We estimate that the initial cost for the POS System will be \$6,650 to \$10,950. In the future, we reserve the right to change the POS System that we have selected for use in Restaurants. We periodically may update or change the POS System we designate in response to business, operations, marketing conditions, or changes in technology, and you must make any update or change, at your expense. We reserve the right to charge you a license fee related to your use of the Proprietary Software, which will not exceed \$10,000 annually, but we do not charge this license fee currently. The POS System may also include the use of various technology platforms, applications or services, which may include online ordering, third-party delivery services, text message clubs, and other technology-based services as further described in the Operations Manual. You will pay the then-current fees associated with any technology platform we require to the designated third-party provider.

You may be required to obtain ongoing maintenance and repairs respecting the POS System, as well as upgrades or updates respecting the Proprietary Software. You must pay us, our affiliates or our designated third party supplier a software support fee. Currently, you must pay Business Machine Company a software support fee equal to approximately \$600 per year, including the technical support, and approximately \$2,700 per year for the electronic rewards program and online ordering system. In addition, we estimate that any other required or optional maintenance, updating, upgrading or support contracts for the POS System will range in cost from \$300 to \$600 per month. There are no contractual limitations on the frequency and cost of additional maintenance or repair, other than the requirement that the fee be reasonable in light of costs our designated supplier or we incur to provide these services. You must incorporate these upgrades and updates to the POS System.

We will have independent access to all operational and financial information and data produced by your POS System. (Franchise Agreement, Section 6(D)). There are no contractual limitations on our right to access the information and data.

Site Selection. If you already have a potential site for a Restaurant, you may propose the location to us. We may consent to the site after we have independently evaluated it. The site for the Restaurant will be identified in Exhibit A to the Franchise Agreement. If you do not have a proposed site, you will sign Exhibit B to the Franchise Agreement and will have 90 days following the date of the Franchise Agreement to identify a Restaurant site acceptable to us. We will provide you with our general site selection and evaluation criteria. You are solely responsible, however, for locating and obtaining a site which meets our standards and criteria and that is acceptable to us. If you sign Exhibit B to the Franchise Agreement and we cannot agree on a site for a Restaurant, you can request an extension for a \$1,000 fee. We will determine the length of the extension (which will not exceed 6 months). Any extension fees paid are non-refundable. If you do not request an extension, we do not grant your request for an extension or we and you cannot agree on a site during any extension period, we can terminate your Franchise Agreement.

You must submit to us a complete site report (containing information that we may reasonably require) for the proposed Restaurant site. The general site and evaluation criteria which you should consider include demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other

businesses (including other Hot Head Burritos® Restaurants), and other commercial characteristics, and the proposed location, size of premises, appearance and other physical characteristics. We will notify you in writing within 30 days after we receive your complete site report and other materials we request whether the proposed site satisfies our site selection criteria. Our review of a site for the Restaurant does not represent any recommendation or guaranty as to the success of the proposed site.

Development Time. The typical length of time between our acceptance of the Franchise Agreement and the opening of your Restaurant varies from 6 to 9 months. This period may be longer or shorter, depending on the time of year, availability of financing, local construction delays, how soon you can attend training or other factors. You must complete development and open your Restaurant within 9 months following the date of the Franchise Agreement.

Training. Before you open your Restaurant we will provide the initial training program to you (or if you are an entity, each Principal Owner, as described in Item 15), the Operating Manager (as described in Item 15) and any general manager. Our initial training program is conducted at our corporate training center in Kettering, Ohio, or another location we designate. We currently plan to offer the initial training program 4 times each year. The initial training program includes classes conducted at other designated locations and on-the-job training provided at our local Restaurants and will last up to 12 days. The initial training program includes instruction relating to Restaurant operations, understanding the equipment and product use, costs and cash control, customer service, comprehensive marketing and sales programs, accountability for sales and marketing, employee scheduling, and methods of controlling operating costs. If you are opening your second or subsequent Hot Head Burritos® restaurant and you, your Operating Manager and any general manager meet our then-current qualifications, we may elect to modify the scope and duration of the initial training program.

You may not open your Restaurant unless the Operating Manager successfully completes the initial training program. If we determine that the proposed Operating Manager is not qualified to manage the Restaurant, we will allow you to select a substitute Operating Manager to complete the initial training program. In addition, each Principal Owner (if you are an entity) must attend those portions of the initial training program as we direct.

The initial training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History of Hot Head Burritos	1	0	Kettering, OH
Use of the Manual	1	0	Kettering, OH
Tour of Hot Head Burritos	1	0	Kettering, OH
Pre-Opening Procedures	2	0	Kettering, OH
Personnel Issues	3	3	Kettering, OH
Advertising	1	2	Kettering, OH
Management Procedures	5	18	Kettering, OH
Franchise Reporting Requirements	2	2	Kettering, OH

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Accounting/Record keeping	2	2	Kettering, OH
Customer Service Procedures	4	10	To be determined
Back of House – Prep/Cook Procedures	4	20	To be determined
Inventory Management	2	6	To be determined
POS System	4	10	To be determined
Cleaning Procedures	2	4	To be determined
Safety Procedures	3	3	To be determined
Totals	37	80	

The instructional materials for all training programs include the Operations Manuals, handouts and visual aids, and will include lecture, classroom discussion, hands-on demonstration and/or practice training at a Hot Head Burritos® Restaurant.

Bill Dirr is our Franchisee Liaison, and he conducts the initial training program. In Mr. Dirr's 8 years of employment with us, he has assisted with training for 5 years and worked for 4 years in operations/field inspections. Mr. Dirr is Serve Safe Certified with a Level 1 Certification in the state of Ohio. If you are in an area developer's territory, an area developer may provide in-store training to you. The area developer's experience is described in Exhibit G.

We do not charge a fee for the initial training program. You are responsible for travel and living expenses that you, your Operating Manager, Principal Owners and your proposed managers (if applicable) incur while attending any one of these training programs. See Item 7 for additional information on travel and living expenses.

After you open your Restaurant, we will provide training to any new Operating Manager, at your expense. In addition, all Restaurant general and assistant managers must successfully complete our manager certification program that we designate. The Operating Manager may conduct the manager certification program, although we reserve the right to require that we certify any manager. We may charge you a fee for this training. In addition, we may require that you (or the Principal Owner of a franchisee that is an entity) and any Operating Manager, general manager or any assistant manager attend supplemental and refresher training programs during the term of the Franchise Agreement for up to 7 days each calendar year. We may determine the time and place of this additional training and may charge you a reasonable fee for the training.

Operations Manual. We will allow, during the term of the Franchise Agreement, access to our Operations Manual (the "Operations Manual"). As of December 31, 2016, the table of contents of the Operations Manual is as follows:

Chapter in Operations Manual	Number of Pages
Table of Contents	4
Preface	9
Introduction	18
Pre-Opening Procedures	60
Human Resources	90
Daily Operation Procedures	156
Advertising	20
Forms	63
Recipes, Prep and Making Food	55
TOTAL	475

ITEM 12

TERRITORY

If your Restaurant is located outside an "Urban Area" (as defined below), you will receive a "Protected Territory" equal to a 2-mile radius surrounding the Restaurant location, provided that if the 2-mile radius surrounding your Restaurant includes any Urban Area, your Protected Territory will not include that portion of the 2-mile radius which is within an Urban Area. If your Restaurant is located in an Urban Area, you will receive a Protected Territory equal to a 1/2-mile radius surrounding the Restaurant location. We generally define an "Urban Area" as a geographic area consisting of a population of more than 250,000 people. We determine Urban Areas and provide you with a map showing any Urban Areas in the general area where you are considering locating your Restaurant before you sign a Franchise Agreement. During the term of the Franchise Agreement, if you are complying with the provisions of the Franchise Agreement, we will not establish any other franchised or company-owned Hot Head Burritos® restaurants in the Protected Territory. You will not receive an exclusive territory because your Protected Territory does not include any "Captive Market Locations." You may face competition from other franchises, from outlets that we own, or from other channels of distribution or competitive brands that we control. The term "Captive Market Locations" includes regional, enclosed or similarly situated shopping centers or malls, airports or other transportation terminals, sports facilities, hospitals, college and university campuses, corporate campuses, a department within an existing retail store, hotels, grocery stores and other locations that do not have direct street access.

The location of the Restaurant and the Protected Territory will be identified in Exhibit A to the Franchise Agreement. If you do not have a site for your Restaurant when you sign the Franchise Agreement, you will sign Exhibit B to the Franchise Agreement and will have 90 days after the date of the Franchise Agreement to find a site for the Restaurant (acceptable to us) within the designated geographic area. Once we approve a location within the geographic area established in Exhibit B, we and you will then sign Exhibit A (which identifies the Protected Territory for your Restaurant).

If you cannot open your Restaurant by the deadline stated in the Franchise Agreement, you may request an extension to the time in which you must open the Restaurant. You must pay us a non-refundable \$1,000 extension fee when you make the request. If we decide, in our

discretion, to grant your request, the extension will be limited to the period of time we permit, not to exceed 6 months.

You may relocate your Restaurant only with our written consent, which we will not unreasonably withhold. If we permit you to relocate your Restaurant, you will pay us a relocation fee of 25% of our then-current initial franchise fee for services we will provide in assisting you in relocating your Restaurant. In addition, you will need to build out the Restaurant consistent with our then-current standards for new Restaurants.

We (for ourselves and our affiliates) reserve the right to sell in your Protected Territory under the Marks through dissimilar channels of distribution (i.e., other than the operation of full-service Restaurants), without any compensation to you, including by direct mail, wholesale activities and other customers further described below, retail catering and delivery service, and electronic means such as the Internet and websites we establish. We also reserve the right to sell any products or services in your Protected Territory under trademarks other than the Marks through similar or dissimilar channels of distribution, including by electronic means such as the Internet and by websites we establish. We may advertise the System on the Internet and may create, operate, change or discontinue the use of a website using the Marks. We may grant franchises anywhere outside your Protected Territory and we may operate or grant others licenses to operate a Hot Head Burritos® Restaurant in any Captive Market Location within or outside your Protected Territory. We may sell anywhere at both wholesale and retail all products and services which are not a part of the System. We also may operate and franchise others to operate retail stores using different trademarks even if these stores compete with the Restaurants. In addition, we and other Hot Head Burritos® franchisees may serve customers who reside in your Protected Territory without compensation to you.

We do not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory.

Neither we nor any affiliate operates, franchises, or has any current plans to operate or franchise any business selling the products and services authorized for sale at a Hot Head Burritos® Restaurant under any other trademark or service mark.

ITEM 13

TRADEMARKS

We grant you the right to operate your Restaurant under the name "Hot Head Burritos," a federally registered service mark and other trademarks or service marks (the "Marks"). Those rights are granted under the Franchise Agreement.

The following schedule list only the principal Marks that you are licensed to use. We have filed all required affidavits and renewal registrations for those Marks listed below.

Principal Trademarks	U.S. Registration Or Serial No.	Registration Or Application Date	Principal/ Supplemental Register
HOT HEAD BURRITOS and Design	Reg. No. 4096568	Reg. Date: February 7, 2012 Assignment Date: August 18, 2017	Principal
HOT HEAD BURRITOS and Design	Reg. No. 3939047	Reg. Date: March 29, 2011 Assignment Date: August 18, 2017	Principal
HOT HEAD BURRITOS and Color Design	Reg. No. 3475075	Reg. Date: July 7, 2008 Assignment Date: August 18, 2017	Principal

We acquired the Marks from our predecessors, Cynthia Wiley and Ray Wiley, under a Restated Trademark Assignment Agreement dated August 18, 2017 (the "Trademark Assignment Agreement"). The Trademark Assignment Agreement contains no limitations on our ownership or use of the Marks.

We have the right to periodically change the list of Marks. Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks when the Franchise Agreement expires or terminates. You are not permitted to make any changes or substitutions respecting the Marks unless we direct in writing. You may not use any Mark or portion of any Mark as part of any corporate or any trade name, or any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not use any Mark or portion of any Mark on any website without our prior written approval.

There are currently no effective material determinations by the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the principal Marks that are relevant to your use in any state. There are currently no agreements in effect that significantly limit our rights to use or license the use of any principal Marks in any manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, and we have sole discretion to take any action we deem appropriate. We are unaware of any infringing uses or superior rights that could materially affect your use of the principal Marks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. We reserve the right to control any litigation relating to the Marks and we will have the sole right to

decide to pursue or settle any infringement actions relating to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you will make these changes or substitutions at your own expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered that are material to the franchise. We do claim copyright ownership and protection for the Operations Manual and our recipes, and for certain other written materials we provide to assist you in operating your Restaurant.

We own certain proprietary or confidential information relating to the operation of Restaurants, including information in the Operations Manual and recipes ("Confidential Information"). You must keep confidential during and after the term of the Franchise Agreement the Confidential Information. When your Franchise Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material. You must notify us immediately if you learn of an unauthorized use of the Confidential Information. We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of the Confidential Information. You must comply with all changes to the Operations Manual at your cost. During the term of your Franchise Agreement, you and we will have joint ownership of customer data stored on your POS system. As the customer data is Confidential Information, you must cease to use it when your franchise agreement expires or terminates. We will periodically establish policies respecting the Restaurant customer data.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate an individual we approve and who successfully completes our required training to be the operating manager ("Operating Manager"). The Operating Manager is responsible for day-to day Restaurant operations. The Operating Manager assumes his/her responsibilities on a full-time basis and may not engage in any other business or other activity that requires any significant management responsibility, time commitments, or otherwise may conflict with his/her obligations. If you (or a Principal Owner) are not the Operating Manager, you must remain active in overseeing Restaurant operations. In addition, at all times, the Restaurant must be under the direct, on-site supervision of the Operating Manager or a certified manager. We recommend that the Operating Manager have food service experience.

Each individual who owns a 10% or greater interest in the franchisee entity is considered a "Principal Owner" and must sign the Guaranty and Assumption of Obligations attached to the Franchise Agreement. These people agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17. Each Principal Owner who is not the Operating Manager also must complete portions of the initial training program as described in Item 11. In

addition, the Operating Manager must sign a written agreement to maintain the confidentiality of our Confidential Information described in Item 14 and comply with the non-compete covenants described in Item 17.

If at any time the Operating Manager does not manage the Restaurant, we immediately may appoint a manager to manage the Restaurant for you and charge you a reasonable fee for these management services.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell in your Restaurant all, and only, those Products and services that we have approved (See Item 8). You must at all times maintain an inventory of approved Products and other items in such quantities and variety that we direct. We may add new Products or services that you must offer at or use in your Restaurant. Our right to modify the approved list of Products and services to be offered at a Restaurant is not limited. We may require that you obtain a liquor license and offer beer and wine at your Restaurant.

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 Agreement(1)	Summary
a. Length of the franchise term	Section 3	10 years.
b. Renewal or extension of the term	Section 3	If you are in good standing, you can renew the Franchise Agreement for 3 additional 10 year terms.
c. Requirements for you to renew or extend	Section 3	Provide advance notice, comply with current franchise agreement, you and your Operating Manager satisfactorily complete any new/refresher training programs, sign new agreement (which may contain materially different terms and conditions than your original Franchise Agreement), remodel, provide proof you will maintain possession of the Restaurant premises, pay renewal fee, and sign a general release of claims.
d. Termination by you	Section 16	If you comply with the Franchise Agreement, and we fail to cure a material provision within 60 days after written notice.
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Sections 15	We may terminate the Franchise Agreement only if you default.

Provision	Section in Agreement(1)	Summary
g. "Cause" defined – curable defaults	Sections 15(A) and (B)	You have 30 days to cure failure to open Restaurant when required, failure to complete training, failure to comply with System standards, failure to conform to System and a violation of any material provision of the Agreement. You have 10 days to cure a failure to pay amounts due us or any creditors. You have 72 hours to cure a health code violation.
h. "Cause" defined – non-curable defaults	Sections 15(A) and (B)	Failure on 3 or more occasions in any 12 months to comply with any provision, default which is not curable, repeatedly deceive Restaurant customers, a material misrepresentation on franchise application, conviction of or proof that you have committed a felony or other crime which harms the Restaurant's reputation, insolvency, an assignment of assets to creditors, Restaurant abandonment, defaults which injures the goodwill associated with the Marks, unauthorized assignment of agreement or interest, operation of the Restaurant results in a threat to public health or safety, lease expires or is terminated, or liquor license for the Restaurant is revoked or suspended.
i. Your obligations on termination/nonrenewal	Section 17 and 13(B)	Cease operation of the Restaurant and use of Marks, pay all amounts due us, stop using and return manuals and other materials, assign to us the Restaurant telephone number and telephone listing or (at our option) disconnect the telephone number, remove all signs and other materials containing any Marks, comply with obligations under any proprietary software license/access agreements, cancel all fictitious or assumed name filings, cease using Confidential Information, sell back to us or return all Products, and agree not to divert Restaurant customers to any competing business for 2 years (also see o, r below).
j. Assignment of contract by us	Section 14(A)	Assignee must fulfill our obligations under the agreement.
k. "Transfer" by you-defined	Section 14(C)	Includes transfer of Restaurant or its assets, or your interest in agreement or any significant ("controlling interest") ownership change.
l. Our approval of transfer by franchisee	Sections 14(B), (C) and (D)	We have the right to approve all transfers of the Franchise Agreement, but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 14(C)	New franchisee qualifies and completes training, all amounts owed us or our affiliates are paid, and you are in good standing, new franchisee assumes existing Agreement or (at our option) signs then-current agreement, we approve transfer agreement, transfer fee paid, lease assigned (if applicable), you sign non-compete agreement and general release.
n. Our right of first refusal to acquire your business	Section 14(F)	We can match any offer for your business.
o. Our option to purchase your business	Section 17(C)	When the Franchise Agreement expires or terminates, we may purchase assets at fair market value, less the value of any goodwill associated with our trademarks and other intangible assets.
p. Your death or disability	Section 14(D)	Franchise must be assigned by estate to an approved buyer within reasonable time not exceeding 12 months.
q. Non-competition covenants during the term of the franchise	Section 13(C), Exhibit E	No involvement in wholesale or retail business or other competing business that distributes or sells any burritos, tacos, nachos, quesadillas, salsas, or other Mexican food products, and related food and beverage products (including any e-commerce business).
r. Non-competition covenants after the franchise is terminated or expires	Sections 13(D) and 17(A), Exhibit E	No business that operates or distributes, or sells to, at wholesale or retail, fast/casual restaurants, stores or any location that offers burritos, tacos, nachos, quesadillas, salsas or other Mexican food products or competing business within 5 miles of the Restaurant location or within 5 mile radius of the former site of the Restaurant.

Provision	Section in Agreement(1)	Summary
s. Modification of the agreement	Sections 1(B), 1(I), 7(E) and 20(M)	No modifications generally, except in writing. We may modify Operations Manual, Marks, System and goods/services to be offered to your Restaurant.
t. Integration/merger clause	Section 20(M)	Only the terms of the Franchise Agreement (including exhibits) are binding (subject to federal and state law). Nothing in the Franchise Agreement may exclude those representations made in the Franchise Disclosure Document. Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 19	Except for actions we bring for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes first will be subject to non-binding mediation at our corporate headquarters at the time the mediation is filed, then (if not resolved) to binding arbitration at our corporate headquarters at the time the arbitration is filed.
v. Choice of forum	Section 20(D)	Litigation must be in state or federal court in the state where our corporate headquarters is located at the time the suit is commenced (subject to state law).
w. Choice of law	Section 20(E)	Ohio law applies (subject to state law).

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, 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.

All Restaurants offer substantially the same products and services to the public. We obtained the historical financial results in this Item 19 from the information submitted by our franchisees or from entities under common control with us. Neither we nor an independent certified public accountant has independently audited or verified the information.

A. 2017 Average Annual and Weekly Net Sales of Franchised Restaurants

The data presented in Table A (below) of this Item 19 reflects the average Net Sales reported to us from the 52 franchised Hot Head Burritos® Restaurants in operation for the entire calendar year ending December 31, 2017 ("Franchised Restaurants"). The data presented in

Table A of this Item 19 does not include information from 3 Restaurants that opened in 2017 as those Restaurants did not operate for the entire calendar year ended December 31, 2017. The data presented in Table A of this Item 19 also does not include information from 9 Restaurants that ceased to do business or otherwise did not operate for the entire calendar year ended December 31, 2017. In addition, the information below does not include any Restaurants that are or were owned by entities controlled by Ray Wiley, our predecessor, during 2017.

TABLE A – FRANCHISED RESTAURANTS				
Average Annual and Weekly Net Sales for Year Ended December 31, 2017⁽¹⁾				
Performance Category⁽²⁾	Number of Franchised Restaurants in Category⁽³⁾	Average Annual Net Sales of Category⁽⁴⁾	Average Weekly Net Sales of Category⁽⁵⁾	Number and Percent of Restaurants that Met or Exceeded Average Annual Net Sales in Category
Top 10% ⁽⁶⁾	5	\$1,024,600	\$19,703	1(20%)
Top 25% ⁽⁷⁾	13	\$896,846	\$17,247	5(38%)
Top 50% ⁽⁸⁾	26	\$778,500	\$14,971	11(42%)
Bottom 50% ⁽⁹⁾	26	\$463,077	\$8,9105	13(50%)
Bottom 25% ⁽¹⁰⁾	13	\$417,308	\$8,025	7(54%)
Bottom 10% ⁽¹¹⁾	5	\$378,600	\$7,281	3(60%)
Total (All Restaurants Open During Year)⁽¹²⁾	52	\$620,712	\$11,937	23 (44%)

Notes:

- 1 “Net Sales” means the aggregate amount of all sales of goods and services (including service charges in lieu of gratuity), whether for cash, on credit or otherwise, made or provided in connection with the Franchised Restaurant, but excluding taxes paid or accrued.
- 2 Each of the rows identified as “Top 10%,” “Top 25%,” “Top 50%,” “Bottom 50%,” “Bottom 25%,” and “Bottom 10%,” refers to the respective percentage of the number of total Franchised Restaurants ranked by annual Net Sales in a descending order.
- 3 The “Number of Franchised Restaurants in Category” refers to the number of Franchised Restaurants within the respective category. The row identified as “Total (All Franchised Restaurants Open During the Year)” refers to all Franchised Restaurants open during the entire period beginning on January 1, 2016 and ending on December 31, 2016.
- 4 The “Average Annual Net Sales of Category” refers to the average annual Net Sales of all Franchised Restaurants within the category. The average is computed by the sum of all the Net Sales divided by the number of Franchised Restaurants in the category.
- 5 The “Average Weekly Net Sales of Category” refers to the average weekly Net Sales of all Franchised Restaurants within the category. The weekly average is computed by the sum of all the annual Net Sales divided by the number of weeks in the year and then divided by the number of Franchised Restaurants in the category.
- 6 Of the 5 Top 10% Franchised Restaurants, the median annual Net Sales was \$993,000 and the median weekly Net Sales was \$19,096. The annual Net Sales for these Franchised

Restaurants ranged from \$962,000 to \$1,123,000, and the weekly net sales ranged from \$18,500 to \$21,596.

7. Of the 13 Top 25% Franchised Restaurants, the median annual Net Sales was \$884,000 and the median weekly Net Sales was \$17,000. The annual Net Sales for these Franchised Restaurants ranged from \$789,000 to \$1,123,000, and the weekly net sales ranged from \$15,173 to \$21,596.
8. Of the 26 Top 50% Franchised Restaurants, the median annual Net Sales was \$787,000 and the median weekly Net Sales was \$15,135. The annual Net Sales for these Franchised Restaurants ranged from \$658,000 to \$1,123,000, and the weekly net sales ranged from \$12,654 to \$21,596.
9. Of the 26 Bottom 50% Franchised Restaurants, the median annual Net Sales was \$461,000 and the median weekly Net Sales was \$8,865. The annual Net Sales for these Franchised Restaurants ranged from \$542,000 to \$364,000, and the weekly net sales ranged from \$7,000 to \$10,423.
10. Of the 13 Top 25% Franchised Restaurants, the median annual Net Sales was \$884,000 and the median weekly Net Sales was \$17,000. The annual Net Sales for these Franchised Restaurants ranged from \$789,000 to \$1,123,000, and the weekly net sales ranged from \$15,173 to \$21,596.
11. Of the 5 Top 10% Franchised Restaurants, the median annual Net Sales was \$993,000 and the median weekly Net Sales was \$19,096. The annual Net Sales for these Franchised Restaurants ranged from \$962,000 to \$1,123,000, and the weekly net sales ranged from \$18,500 to \$21,596.
12. Of all 52 Franchised Restaurants, the median annual Net Sales was \$658,000 and the median weekly Net Sales was \$12,654. The annual Net Sales for these Franchised Restaurants ranged from \$658,000 to \$1,123,000, and the weekly net sales ranged from \$12,654 to \$21,596.

B. 2017 Average Annual and Weekly Net Sales of Affiliated Restaurants

The data presented in Table B (below) of this Item 19 reflects the average Net Sales reported to us from all 13 Hot Head Burritos® Restaurants in operation for the entire calendar year ending December 31, 2017 that are or were owned by entities controlled by Ray Wiley, our predecessor, during 2017 ("Affiliate Restaurants"). The data presented in Table A of this Item 19 does not include information from Franchised Restaurants.

TABLE B – AFFILIATE RESTAURANTS				
Average Annual and Weekly Net Sales for Year Ended December 31, 2017⁽¹⁾				
Performance Category⁽²⁾	Number of Affiliate Restaurants in Category⁽³⁾	Average Annual Net Sales of Category⁽⁴⁾	Average Weekly Net Sales of Category⁽⁵⁾	Number and Percent of Restaurants that Met or Exceeded Average Annual Net Sales in Category
Top 10%	1	\$962,000	\$18,500	N/A
Top 25% ⁽⁶⁾	3	\$866,000	\$16,654	1
Top 50% ⁽⁷⁾	7	\$787,857	\$15,151	4
Bottom 50% ⁽⁸⁾	7	\$617,000	\$11,865	5
Bottom 25% ⁽⁹⁾	3	\$561,666	\$10,801	1
Bottom 10%	1	\$519,000	\$9,981	N/A
Total (All Affiliate Restaurants Open During Year)⁽¹⁰⁾	13	\$687,591	\$13,223	6(46%)

Notes:

- 1 “Net Sales” means the aggregate amount of all sales of goods and services (including service charges in lieu of gratuity), whether for cash, on credit or otherwise, made or provided in connection with the Affiliate Restaurant, but excluding taxes paid or accrued.
- 2 Each of the rows identified as “Top 10%,” “Top 25%,” “Top 50%,” “Bottom 50%,” “Bottom 25%,” and “Bottom 10%,” refers to the respective percentage of the number of total Affiliate Restaurants ranked by annual Net Sales in a descending order.
- 3 The “Number of Affiliate Restaurants in Category” refers to the number of Affiliate Restaurants within the respective category. The row identified as “Total (All Affiliate Restaurants Open During the Year)” refers to all Affiliate Restaurants open during the entire period beginning on January 1, 2016 and ending on December 31, 2016.
- 4 The “Average Annual Net Sales of Category” refers to the average annual Net Sales of all Affiliate Restaurants within the category. The average is computed by the sum of all the Net Sales divided by the number of Affiliate Restaurants in the category.
- 5 The “Average Weekly Net Sales of Category” refers to the average weekly Net Sales of all Affiliate Restaurants within the category. The weekly average is computed by the sum of all the annual Net Sales divided by the number of weeks in the year and then divided by the number of Affiliate Restaurants in the category.
6. Of the 3 Top 25% Affiliate Restaurants, the median annual Net Sales was \$834,000 and the median weekly Net Sales was \$16,038. The annual Net Sales for these Affiliate Restaurants ranged from \$804,000 to \$962,000, and the weekly net sales ranged from \$15,462 to \$18,500.
7. Of the 7 Top 50% Affiliate Restaurants, the median annual Net Sales was \$787,000 and the median weekly Net Sales was \$15,135. The annual Net Sales for these Affiliate Restaurants ranged from \$650,000 to \$962,000, and the weekly net sales ranged from \$12,500 to \$18,500.

9. Of the 7 Bottom 50% Affiliate Restaurants, the median annual Net Sales was \$631,000 and the median weekly Net Sales was \$12,134.61. The annual Net Sales for these Affiliate Restaurants ranged from \$510,000 to \$650,000, and the weekly net sales ranged from \$9,808 to \$12,500.
10. Of the 3 Top 25% Affiliate Restaurants, the median annual Net Sales was \$834,000 and the median weekly Net Sales was \$16,038. The annual Net Sales for these Affiliate Restaurants ranged from \$804,000 to \$962,000, and the weekly net sales ranged from \$15,462 to \$18,500.
11. Of all 13 franchised Affiliate Restaurants, the median annual Net Sales was \$650,000 and the median weekly Net Sales was \$12,500. The annual Net Sales for these Affiliate Restaurants ranged from \$510,000 to \$962,000, and the weekly net sales ranged from \$9,808 to \$18,500.

C. 2017 Average Annual Net Sales and Expenses for Affiliate Restaurants

The information below is based on historical financial performance information from the 13 Affiliate Restaurants, in operation as of December 31, 2017. The table below includes total average Net Sales and expense information for the Affiliate Restaurants for the calendar year ending December 31, 2017, as provided to us by the Affiliate Restaurants. We have not audited these figures.

Category	Amount	Percentage of Net Sales	Number and Percent of Affiliate Restaurants that Met or Exceeded Average
Net Sales(1)	\$687,591.44	N/A	6(46%)
Expenses			
Cost of Goods(2)	\$243,673.15	35.4%	
Wages(3)	\$178,395.54	25.9%	
Royalties(5)	\$8,800.85	1.3%	
Smallwares(6)	\$4,139.23	0.6%	
POS System(7)	\$6,138.85	0.9%	
Advertising/Marketing(8)	\$25,125.31	3.7%	
Rent, Taxes & CAM(9)	\$60,069.11	8.7%	
Utilities(10)	\$33,899.46	4.9%	
Miscellaneous (11)	\$19,452.46	2.8%	
Total Operating Expenses	\$579,693.96	84.3%	
Total Administrative Expenses(12)	\$11,193.90	1.6%	
EBITDA(13)	\$96,703.58	14.1%	5(38%)
Franchisee Adjustments			
Royalty Adjustment(5)	\$34,379.57	5%	
Adjusted EBITDA(14)	\$62,324.01	9.1%	

1. Net Sales. This amount reflects the Affiliate Restaurants' Average Net Sales information for the 12-month period ended December 31, 2017. "Net Sales" means the aggregate amount of all sales of goods and services (including service charges in lieu of gratuity), whether for cash, on credit or otherwise, made or provided in connection with the Restaurant, but excluding taxes paid or accrued. A Restaurant's actual Net Sales may vary widely depending on a number of factors including goodwill in the market, the length of time in business, the population living and working near the Restaurant, traffic, site location, competition, local economic conditions, a franchisee's management skills, and customer service. The annual Net Sales for these Affiliate Restaurants ranged from \$510,000 to \$962,000.

2. Cost of Goods. This amount means Affiliate Restaurants' cost of the Product, and does not include other costs of goods such as freight or warranty expense. Factors that may impact the cost of goods include market price fluctuations and management of portion control at the Restaurant level. In addition, the level of discounting offered at the Restaurant will impact the Cost of Goods as a percentage of Net Sales.

3. Wages. This amount includes wages, employee commissions, workers' compensation insurance, payroll taxes, bonuses, and 401(k) profit sharing for all in-store employees. The Wages also include wages for the Restaurant manager. Currently, the Affiliate Restaurants pay their Restaurant managers ranged from \$36,000 to \$43,000 per year. We presume that in a single, franchised Restaurant, the owner-operator will be the Restaurant manager. Franchisees may experience similar wage expenses but will be impacted by staffing model decisions determined solely by franchisees, pay rates in the market, and individual Restaurant performance. This amount does not include health insurance benefits or payroll processing.

5. Royalties. The Affiliate Restaurants pay a reduced Royalty Fee equal to 1% of Net Sales. Franchisees must pay us a Royalty Fee equal to 6% of Net Sales. As a result, we have included a separate "Royalty Adjustment" in the chart above to demonstrate the impact of Franchisee Royalty payments equal to 6% of Net Sales on EBITDA.

6. Smallwares. This amount represents Affiliate Restaurants' cost to purchase smallwares, including cups, paper products, utensils, plates, measuring cups, and serving utensils.

7. POS System. This amount represents Affiliate Restaurants' cost for software support, software licenses and electronic ordering systems.

8. Advertising/Marketing. This amount includes the Affiliate Restaurants' cost of television, radio, direct mail, print and yellow page advertising, and payment of a Marketing Fee to the RAF. Our Affiliate Restaurants averaged 3.7% of annual Net Sales on advertising during the 12 months ended December 31, 2017. Currently, all franchisees must spend a total of 2.70% of Net Sales on advertising and marketing; including the 0.70% of Net Sales for the Marketing Fee paid to us and 2% of Net Sales on approved local marketing.

9. Rent, Taxes and CAM. This amount represents Affiliate Restaurants' cost of rent, taxes and common area maintenance charges. The Affiliate Restaurants' have approximately 2,500 square feet of space, and pay monthly rent ranging from approximately \$4,200 to \$6,600.

A typical franchised Restaurant will have between 1,800 to 3,000 square feet of space, and pay from \$12 to \$35 per square foot in rental expense (including common area maintenance (CAM) and taxes). The exact amount of rental expense will vary greatly depending on the location of the Restaurant premises, the portion of rent representing the value of leasehold improvements at the Restaurant premises, local market conditions and other factors.

10. Utilities. This amount represents Affiliate Restaurants' expenses for telephone, electricity, water and gas. While you will incur these expenses in the operation of your Restaurant, we cannot determine the range of these expenses for franchised Restaurants as this is affected by local taxes, governmental agencies, climate and other matters.

11. Miscellaneous. This amount represents Affiliate Restaurants' remaining operational expenses including professional fees, office supplies, repairs and maintenance (including landscaping, plumbing, lock repair, and heating and air conditioning), credit card fees, licenses and permits (including the cost to maintain a liquor license), uniforms, and employee health care. These expenses also include insurance (including Dram Shop Insurance). The cost of insurance may vary depending on any additional coverage you select, the number of Restaurants you operate, the geographic location of your Restaurant, and the number of Restaurants that are covered by an insurance policy. The Affiliate Restaurants share insurance, and would likely pay \$2,300 per year for Dram Shop Insurance if insuring only each Affiliate Restaurant on an individual basis. If you obtain a liquor license to offer beer and wine at your Restaurant, you also must purchase Dram Shop Insurance, and we anticipate that a franchisee will incur greater costs for Dram Shop Insurance. We currently require you to obtain Dram Shop Insurance with coverage of at least \$1 million per occurrence and \$2 million in the aggregate. As of the date of this Disclosure Document, all of the Affiliate Restaurants in operation offered beer or wine (or both) at their Restaurants.

12. Administrative Expenses. This amount represents Affiliate Restaurants' portion of expenses associated with an area supervisor for multiple Restaurants owned by our affiliates, including the area supervisor's wages and benefits, and the cost to supply a vehicle to the area supervisor. It also includes an allocated expense for back office support. Unless a franchisee owns multiple Restaurants, we do not anticipate that a franchisee will incur these expenses associated with operating multiple Restaurants.

13. EBITDA. "EBITDA" means earnings before interest, taxes, depreciation and amortization. Depreciation of leasehold improvements and equipment is not included in EBITDA.

14. Adjusted EBITDA. "Adjusted EBITDA" means EBITDA less Franchisee Adjustments.

Unless noted above, we believe that the costs our Affiliate Restaurants incurred are likely to be similar to the costs a franchised Restaurant will incur, but that the costs incurred and the Net Sales of any Restaurant may vary widely and will be impacted by the economic conditions in a franchisee's market, competition in the market, different investments in the Restaurant and

financing costs, the cost of employees' wages, benefits and other compensation, a franchisee's management skills, and costs to obtain Products and other supplies.

We prepared this financial performance representation based on information provided by our Affiliate Restaurants or franchised Restaurants, and it has not been audited or reviewed by a certified public accountant. Written substantiation for all information illustrated in this Item 19 will be made available to you upon reasonable request.

Some Restaurants have earned this amount. Your individual results may differ. There is no assurance you will do as well.

Other than the financial performance representations set forth above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ray Wiley at 2795 Culver Ave, Kettering, Ohio 45429, (937) 545-4408, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1
Systemwide Restaurant Summary
For Years 2015-2017

Restaurant Type	Year	Restaurants at the Start of the Year	Restaurants at the End of the Year	Net Change
Franchised	2015	46	51	+5
	2016	51	61	+10
	2017	61	59	-2
Company-Owned	2015	13	13	+0
	2016	13	13	+0
	2017	13	13	0
Total Restaurants	2015	59	64	+5
	2016	64	74	+10
	2017	74	72	-2

TABLE NUMBER 2
Transfers of Restaurants From Franchisee to New Owners (Other than the Franchisor)
For Years 2015-2017

State	Year	Number of Transfers
Ohio	2015	1
	2016	2
	2017	4
TOTAL	2015	1
	2016	2
	2017	4

TABLE NUMBER 3
Status of Franchised Restaurants
For Years 2015-2017

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Restaurants at the End of the Year
Connecticut	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Florida	2015	1	1	0	0	0	0	2
	2016	2	1	0	0	0	0	3
	2017	3	0	0	0	0	0	3
Indiana	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Kentucky	2015	3	0	0	0	0	0	3
	2016	3	1	0	0	0	0	4
	2017	4	0	0	0	0	0	4
Michigan	2015	1	1	0	0	0	0	2
	2016	2	0	0	0	0	1	1
	2017	1	0	0	0	0	1	0
Nevada	2015	0	0	0	0	0	0	0
	2016	0	2	0	0	0	0	2
	2017	2	0	0	0	0	2	0
Ohio	2015	38	4	0	0	0	1	41
	2016	41	7	0	0	0	1	47
	2017	47	3	0	0	0	2	48

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/ Other Reasons	Restaurants at the End of the Year
Pennsylvania	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
TOTAL	2015	46	6	0	0	0	1	51
	2016	51	12	0	0	0	2	61
	2017	61	3	0	0	0	5	59

TABLE NUMBER 4
Status of Company-Owned Restaurants
For Years 2015-2017

State	Year	Restaurants at the Start of the Year	Restaurants Opened	Restaurants Reacquired From Franchisees	Restaurants Closed	Restaurants Sold to Franchisees	Restaurants at the End of the Year
Ohio	2015	13	0	0	0	0	13
	2016	13	0	0	0	0	13
	2017	13	0	0	0	0	13
TOTAL	2015	13	0	0	0	0	13
	2016	13	0	0	0	0	13
	2017	13	0	0	0	0	13

TABLE NUMBER 5
Projected Openings
As of December 31, 2017

State	Franchise Agreements Signed But Restaurant Not Opened	Projected New Franchised Restaurants through the End of the Current Fiscal Year	Projected New Company-Owned Restaurants through the End of the Current Fiscal Year
Alabama	2	2	0
Connecticut	0	1	0
Florida	0	1	0
Indiana	0	1	0
Kentucky	0	1	0
Michigan	0	1	0
Ohio	0	5	0
Pennsylvania	1	1	0
TOTAL	3	13	0

As used in Item 20, "Company-Owned Restaurants" refer to Hot Head Burritos® Restaurants that are owned in whole or in part, by Ray Wiley, our predecessor. The names, addresses and telephone numbers of all Hot Head Burritos® franchisees as of December 31, 2017, are listed in Exhibit D.

Also listed on Exhibit D is the name and last known city, state and business telephone number (or, if unknown, home telephone number) of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us since within the 10 weeks prior to the issuance date of this disclosure document.

If you buy a Hot Head Burritos® franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three 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 System.

We have no trademark specific franchisee association.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit A are our financial statements as of December 31, 2015, December 31, 2016, and December 31, 2017.

ITEM 22

CONTRACTS

The Franchise Agreement is attached as Exhibit B, the Disclosure Acknowledgment Agreement is attached at Exhibit E, and the State Specific Addenda, if applicable, is attached as Exhibit F.

ITEM 23

RECEIPTS

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document (Exhibit H). You should keep one copy as your file copy and return the second copy to us.

EXHIBIT A
FINANCIAL STATEMENTS

EXHIBIT B
FRANCHISE AGREEMENT

HOT HEAD BURRITOS® FRANCHISE AGREEMENT

STORE # _____

YOU (FRANCHISEE)

DATE OF AGREEMENT

Hot Head Franchising, LLC
FTC 2018 Franchise Agreement

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- E – CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

HOT HEAD BURRITOS® FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20____, between Hot Head Franchising, LLC, an Ohio limited liability company, with a principal place of business at 2795 Culver Ave, Kettering, Ohio 45429 ("we" or "us"), and _____, a corporation formed and operating under the laws of the State of _____, or _____ an individual, with a principal place of business at _____ ("you").

INTRODUCTION

A. We developed and own a system (the "Business System") relating to the development and operation of restaurants selling a variety of Mexican food including burritos, tacos, nachos, quesadillas, salsas and related food and beverage products for the individual consumer.

B. We own the Hot Head Burritos® trademark, and other trademarks and service marks (the "Marks") used in operating the Business System.

C. We grant qualified persons the right to develop, own and operate a Hot Head Burritos® restaurant at a specific location.

D. You desire to obtain the right to develop and operate a Hot Head Burritos® restaurant using the Business System at a specific location.

AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

1. DEFINITIONS

A. "Confidential Information" means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, recipes, Operations Manual (as defined in Section 7(E)), systems and knowledge of and experience in the operation and franchising of Hot Head Burritos® restaurants that we communicate to you or that you otherwise acquire in operating the Restaurant under the Business System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

B. "Marks" means the Hot Head Burritos® trademark and service mark and other trademarks, service marks, domain names, logos, slogans, and commercial symbols that we have designated, or may in the future designate, for use in the Business System.

C. "Net Sales" means the aggregate amount of all sales of goods and services (including service charges in lieu of gratuity), whether for cash, on credit or otherwise, made or provided at or in connection with the Restaurant, including off-premises sales and monies derived at or away from the Restaurant. The term "Net Sales" does not include: (1) any federal, state, municipal or other sales, value added or retailer's excise taxes paid or accrued by you; and (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Net Sales will not be adjusted for uncollected accounts. For purposes of the Royalty Fee described in Section 4(B) below, the sale is made at the earlier of delivery of the product or service, or receipt of payment.

D. "Operating Manager" means the designated individual responsible for the day-to-day operation of the Restaurant. We must approve the Operating Manager and the Operating Manager must successfully complete our mutual training program and all mandatory follow-up training programs.

E. "Principal Owner" means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you. If any corporation or other entity other than a partnership is a Principal Owner, a "Principal Owner" also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a "Principal Owner" also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner. If you are one or more individuals, each individual will be deemed a Principal Owner of you.

F. "Products" means burritos and related food and beverage products and other accessories, that we may (1) identify on the authorized menu for Hot Head Burritos® restaurants, as we periodically may modify, or (2) otherwise approve for sale in the Restaurant.

G. "Protected Territory" means the geographic area, identified in Exhibit A, which is an area surrounding the location of the Restaurant determined by us.

H. "Restaurant" means the Hot Head Burritos® restaurant developed and operated under this Agreement which offers the Products.

I. "Business System" means the Hot Head Burritos® system which includes the Products for the individual consumer under the Marks, using certain distinctive types of retail facilities, equipment (including the POS System (as defined in Section 6(D) below)), supplies, Confidential Information, business techniques, methods and procedures, and sales promotion programs, as we periodically may modify and further improve.

2. GRANT OF FRANCHISE

A. Grant Of Franchise, Authorized Location And Protected Territory. Subject to the provisions contained in this Agreement, we grant you a franchise (the "Franchise") to own and operate a Hot Head Burritos® Restaurant at a site we approve in writing (the "Authorized Location") and to use the Marks and other aspects of the Business System in operating the Restaurant. The location of the Restaurant and your Protected Territory are identified in Exhibit A, or alternatively, we and you will complete and sign Exhibit B, in which we and you agree on a geographic area in which the location of the Restaurant will be established, subject to our written acceptance, within ninety (90) days after the date of this Agreement. You do not receive any territorial rights upon designation of the geographic area in Exhibit B, and we and our affiliates have the right to operate and franchise other Hot Head Burritos® Restaurants within the designated area. Once we consent to a location for the Restaurant within the geographic area established in Exhibit B, however, we and you will sign Exhibit A and identify the Protected Territory.

B. Nature of Your Protected Territory. During the term of this Agreement (as described in Section 3), if you are in compliance, we will not directly operate or franchise another to operate any other Hot Head Burritos® restaurant within the Protected Territory. The license granted to you under this Agreement is personal in nature, may not be used at any location other than at the Restaurant, and does not include the right to sell any Products or services identified by the Marks at any location other than at the Restaurant or pursuant to catering and delivery activities we may authorize under Section 2(C) below. This Agreement does not include the right to sell any Products or services identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of

electronic commerce). You will not open any other Hot Head Burritos® restaurant in the Protected Territory unless we permit you to do so under a separate franchise agreement. You will not have the right to subfranchise or sublicense any of your rights under this Agreement. You will not use the Restaurant for any purposes other than the operation of a Hot Head Burritos® restaurant. You also understand and agree that the Protected Territory does not include any regional, enclosed or similarly situated shopping centers or malls, airports or other transportation terminals, sports facilities, hospitals, college and university campuses, corporate campuses, a department within an existing retail store, hotels, grocery stores, or other similar types of locations that have a restricted trade area ("Captive Market Locations") located within the geographic boundaries of the Protected Territory.

C. Catering and Delivery Services. You may offer catering and delivery services in the Protected Territory to the extent we permit you to do so in writing, and only in compliance with this Agreement, the Operations Manual and other policies and requirements we impose. We reserve the right to terminate or restrict your right to offer catering and delivery services at any time following written notice.

D. Rights Reserved to us. We (for us and our affiliates) retain the right:

1. to directly operate, or to grant other persons the right to operate, Hot Head Burritos® restaurants at locations outside the Protected Territory;
2. to directly operate, or to grant other persons the right to operate, Hot Head Burritos® restaurants at Captive Market Locations within and outside the Protected Territory;
3. to promote, sell and distribute the Products and the services authorized for sale at Hot Head Burritos® restaurants under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution;
4. to promote, sell and distribute the Products and the services authorized for sale at Hot Head Burritos® restaurants as well as ancillary products and services such as products and beverages, clothing and memorabilia under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of full-service Hot Head Burritos® restaurants), including direct mail, wholesale activities, retail catering and delivery services, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory; and
5. to promote the Business System and the Restaurants generally, including on the Internet (or any other existing or future form of one or more electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

3. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. The term of this Agreement will be for ten (10) years commencing on the date of this Agreement (the "Effective Date").

B. Successor Agreement. You will have the right to enter into a successor agreement for the Franchise for the Business for three (3) additional terms of ten (10) years each, provided you satisfy the following conditions:

1. You have given us written notice at least one hundred eighty (180) days but no more than three hundred and sixty (360) days before the end of the term of this Agreement of your intention to enter into a successor agreement;

2. You have complied with all of the material provisions of this Agreement and all other agreements between you and us or any of our respective affiliates, including the payment of all monetary obligations you owe to us or our affiliates, and have complied with our material operating and quality standards and procedures;

3. You provide documentation satisfactory to us that you have the right to maintain possession of the Restaurant premises during the renewal term described in our then-current Franchise Agreement and have, at your expense, made such reasonable capital expenditures necessary to remodel, modernize and redecorate the Restaurant premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your franchised business so that the Restaurant reflects the then-current physical appearance of new Hot Head Burritos® restaurants, or are able to secure a new location within the Protected Territory which we have accepted (such acceptance not to be unreasonably withheld) and agree to make all required improvements to the Restaurant premises and install all required fixtures and equipment in compliance with our then-current standards and specifications for new Hot Head Burritos® restaurants;

4. You (or if you are an entity, a Principal Owner we approve) and the Operating Manager completes, to our satisfaction, any new training and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees;

5. You have paid to us at least thirty (30) days before the term of this Agreement expires a Successor Fee of Two Thousand Five Hundred Dollars (\$2,500) in lieu of our then-current standard initial franchise fee applicable to new Hot Head Burritos® restaurants;

6. You sign our then-current standard Franchise Agreement which may differ materially from the provisions of this Agreement; provided that you will be required to pay the Successor Fee in lieu of the Initial Franchise Fee stated in the then-current Franchise Agreement; and

7. You and each Principal Owner sign a general release, in form acceptable to us, of all claims against us and our affiliates, officers, directors, employees, and agents.

4. FRANCHISE AND OTHER FEES

A. Initial Fees. You will pay us an "Initial Franchise Fee" of _____ Dollars (\$ _____). The Initial Franchise Fee is payable when you sign this Agreement. We fully earn the Initial Franchise Fee when we sign this Agreement and the Initial Franchise Fee is nonrefundable. In addition, you will pay us Three Thousand Five Hundred Dollars (\$3,500) for the Restaurant Opening Campaign as more specifically described in Section 6(G), which amount is non-refundable.

B. Royalty Fee. You will pay us a non-refundable weekly Royalty Fee in an amount equal to six percent (6%) of your Net Sales. The Royalty Fee is due and payable on or before the Wednesday of

each week for the seven (7) day period ending on Sunday of such week (Monday to Sunday) based on the Net Sales during such seven (7) day period.

C. Electronic Transfer of Funds. We may require you to sign electronic transfer of funds authorizations and other documents as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge your account for all amounts you owe us. Your authorization will permit us to designate the amount to be transferred from your account. If we require payment through electronic transfer of funds or a similar method of payment, you will maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein.

D. Interest on Late Payments. All Royalty Fees, Marketing Fees (as defined below), and other amounts which you owe to us or our affiliates will bear interest after the due date at the lesser of: (1) one-and-one-half percent (1½%) per month; or (2) the maximum contract rate of interest permitted by law in the state in which the Restaurant is located.

E. Application of Payments. We have discretion to apply amounts due to us or any of our affiliates any payments received from you or any amount we owe you.

F. Withholding Payments Unlawful. You agree that you will not withhold payment of any Royalty Fees, Marketing Fees or any other amount due us, and that the alleged non-performance or breach of any of our obligations under the Franchise Agreement or any related agreement does not establish a right at law or in equity to withhold payments due us for Royalty Fees, Marketing Fees or any other amounts due.

G. Tax Indemnification. You will indemnify us and reimburse us for all income, capital, gross receipts, sales, and other taxes that the state in which the Restaurant is located imposes as a result of your operation of the Restaurant or the license of any of our intangible property in the jurisdiction in which the Restaurant is located. If more than one Hot Head Burritos® restaurant is located in such jurisdiction, they will share the liability in proportion to their Net Sales from the franchised business, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion to taxable sales to you. If applicable, this payment is in addition to the Royalty Fee payments described above.

5. ADVERTISING

A. Marketing and Promotional Fund. During the term of this Agreement, you will pay to us for deposit in a marketing and promotional fund (the "Marketing Fund") a marketing fee (the "Marketing Fee") in an amount we determine, as described in Section 5(D) below. The Marketing Fee is due and payable in the same manner as the Royalty Fee described in Section 4(B) above. We will place all Marketing Fees we receive in the Marketing Fund and will manage such Fund. We also will contribute to the Marketing Fund for each Hot Head Burritos® restaurant that we operate in the United States at the same percentage rate as a majority of Hot Head Burritos® restaurants must pay to the Marketing Fund. Reasonable disbursements from the Marketing Fund will be made solely to pay expenses we incur in connection with the general promotion of the Marks and the Business System, including the cost of formulating, developing and implementing advertising, marketing, promotional and public relations campaigns; and the reasonable costs of administering the Marketing Fund, including the cost of employing advertising, public relations and other third party agencies to assist us and providing promotional brochures and advertising materials to Hot Head Burritos® restaurants and to regional and local advertising cooperatives, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Marketing Fund. The Marketing Fund is not a trust or escrow

account, and we have no fiduciary obligations regarding the Marketing Fund. We cannot insure that you will benefit directly or on a pro rata basis from the future placement of any such advertising in your local market. We may spend in any fiscal year an amount greater or less than the aggregate contributions of Hot Head Burritos® restaurants to the Marketing Fund in that year. We may, through the Marketing Fund, furnish you with approved local marketing plans and materials on the same terms and conditions as plans and materials we furnish to other Hot Head Burritos® restaurants. We will determine the methods of advertising, media employed and scope, contents, terms and conditions of advertising, marketing, promotional and public relations campaigns and programs.

B. Local Advertising and Restaurant Promotion. In addition to the Marketing Fee due under Section 5(A) above, you will spend a minimum amount we determine (as described in Section 5(D) below) during each calendar year on "approved" Restaurant advertising and promotional activities in your local geographic area. On or before February 15 of each year, you will provide us with an accounting of the funds that you have spent for local advertising for the preceding calendar year. If you fail to spend the minimum amount required under this Section for the calendar year for approved regional cooperative advertising or local advertising, you will deposit with us the difference between what you should have spent for approved advertising during the calendar year and what you actually spent for approved advertising during the calendar year. We will deposit that amount in the Marketing Fund. For purposes of this Section, Restaurant advertising and promotional activities are "approved" if they are included in our recommended media plan for the Restaurant (if applicable) and otherwise comply with Section 5(E) below.

C. Cooperative Advertising. In the future, we may require that you will participate in, support and contribute to the cost of regional cooperative advertising programs we designate. We reserve the right to designate regional and local advertising markets, to establish regional advertising councils and to establish the bylaws and other rules under which such councils will operate.

D. Advertising Obligations. Subject to the following, we will determine the Marketing Fees, your local advertising obligations and any contributions to regional and local advertising cooperatives. We periodically may modify, in our absolute discretion, the amount(s) of such fees or other obligations, provided we will not require you to spend more than five percent (5%) of Net Sales in any calendar year on local marketing, Marketing Fees or contributions to regional and local advertising cooperatives, as described in Sections 5(A), 5(B) and 5(C) above.

E. Approved Advertising, Media Plans and Restaurant Promotion Materials. We may develop, and make available to you, local restaurant media planning assistance. If we do so, you must use our recommended media plan in promoting the Restaurant or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Restaurant. If you desire to use any advertising or promotional materials in promoting the Restaurant which we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within ten (10) days after you submit those materials to us, then you may use the materials, although we reserve the right to disapprove those materials at any later time. If you use any advertising or promotional materials without submitting those materials to us or if you use materials we disapprove, in addition to any separate remedies we may have, any amounts spent on those materials will not be credited toward your local advertising obligations described in Section 5(B) above.

F. Participation in Certain Programs and Promotions. You must use your best efforts to promote and advertise your Restaurant and must participate in all advertising and promotional programs we establish in the manner we direct. You must, at your expense, participate in, and honor all provisions of the gift card and/or loyalty program that we have established or may establish and as we may modify, as further

described in the Operations Manual. You also must honor all coupons, discounts and gift certificates as we may reasonably specify in the Operations Manual or otherwise in writing. You must participate in our mystery shopper program.

6. DEVELOPMENT AND OPENING OF THE RESTAURANT

A. Lease for Restaurant Premises. If you enter into a lease for the Restaurant premises, you must provide the proposed lease to us and receive our prior written approval of the proposed lease (which will not be unreasonably withheld) before you sign it. In addition, you and the landlord of the Restaurant premises ("Landlord") must sign a "Lease Addendum" in the form attached hereto as Exhibit C.

B. Your Development of Restaurant. Promptly after you sign a lease or acquire the premises for the Restaurant, and receive from us the prototype plans and specifications for the Restaurant, you will:

1. with the assistance of an architect we designate or approve, prepare and submit to us for approval (which will not be unreasonably withheld) any proposed modifications to our basic plans and specifications, which you may modify only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;

2. obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses. If required by us, you must obtain a liquor license for the Restaurant;

3. construct all required improvements to the Restaurant premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with the plans and specifications we approve and in compliance with all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;

4. establish filing, accounting and inventory control systems complying with our requirements; and

5. contract with a qualified, licensed, insured and bonded general contractor we approve to supervise the construction of the Restaurant.

C. Fixtures, Equipment, Furniture and Signs. You will use in constructing and operating the Restaurant only those types of construction and decorating materials, fixtures, equipment (including computer hardware and software), furniture, and signs that we have approved for Hot Head Burritos® restaurants as meeting our specifications and standards for appearance, function and performance. You may purchase approved types of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier we approve or designate (which may include us and/or our affiliates). If you propose to purchase any material, fixture, equipment, furniture or sign we have not then approved, or any items from any supplier we have not then approved, you must first notify us in writing and will provide to us (upon our request) sufficient specifications, photographs, drawings and other information or samples for us to determine whether the material, fixture, equipment, furniture or sign complies with our specifications and standards, or the supplier meets our approved supplier criteria, which determination we will make and communicate in writing to you within a reasonable time.

D. Point-of-Sale System. You will use in the Restaurant the point-of-sale and reporting system, including all existing or future communication or data storage systems, hardware, software,

technology platforms, components thereof and associated service, which we may develop or select for the Business System (the "POS System"). The POS System may include one or more proprietary software programs developed for us (the "Proprietary Software"). You must use the Proprietary Software (if available) from us or our designated third party supplier. The Proprietary Software will remain the confidential property of us or our third party supplier. If we require you to use Proprietary Software, you must enter into our or our designee's standard form software license agreement in connection with your use of the Proprietary Software. We reserve the right to charge you a license fee related to your use of the Proprietary Software, which will not exceed Five Thousand Dollars (\$5,000). You will pay the then-current fee for the Proprietary Software at or before the Proprietary Software is delivered to you. In addition, we reserve the right to charge you a reasonable monthly fee for computer software support we or our designee provides to you respecting the Proprietary Software, which will not exceed Two Thousand Four Hundred Dollars (\$2,400) per year. We reserve the right to assign our rights, title and interest in any Proprietary Software to a third party we designate or to replace the Proprietary Software. In such event, you may be required to enter into a separate computer software license agreement specified by the third party supplier of the Proprietary Software. The POS System may also include the use of various technology platforms, applications or services, which may include online ordering, third-party delivery services, text message clubs and other technology-based services as further described in the Operations Manual. You will pay the then-current fees associated with any technology platform we require. We also may access financial information and customer data produced by or otherwise located on your POS System (collectively the "Customer Data"). During the Term, we and you will have joint ownership of the Customer Data that is stored on the POS System, although you will be responsible for obtaining all customer consents necessary to allow us to use the Customer Data for various purposes as we may identify. We will periodically establish policies respecting the Customer Data. You will have at the Restaurant Internet access with a form of high-speed connection as we require. You will use an e-mail address we designate for communication with us. The computer hardware component of the POS System must comply with specifications we develop. We reserve the right to require the POS System to be configured as a package unit. We have the right to designate a single source from whom you must purchase the POS System, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the POS System. It is your responsibility to protect yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures and attacks.

E. Restaurant Opening. You must comply with any Restaurant opening requirements we periodically describe in the Operations Manual. You will not open the Restaurant for business without our prior written approval. You agree to complete the development and open the Restaurant for business within the time period stated in Exhibit A or Exhibit B, whichever Exhibit is applicable.

F. Extension Fee. If you cannot develop and open the Restaurant within the time period stated in Exhibit A or Exhibit B, you may request in writing that we approve an extension of up to six (6) months within which you must open the Restaurant. At our option, we may charge you a non-refundable extension fee of One Thousand Dollars (\$1,000) when you request the extension regarding the Restaurant. If we grant an extension pursuant to a request, the extension will be limited to the period we permit, not to exceed six (6) months. You will not receive more than one (1) extension for the Restaurant.

G. Restaurant Opening Campaign. Between the date you sign the lease and the opening of your Restaurant, you are required to spend Three Thousand Five Hundred Dollars (\$3,500) on marketing approved by us and during the first ninety (90) days of Restaurant operations, you agree to conduct a Restaurant opening campaign, and will spend a minimum of Three Thousand Five Hundred Dollars (\$3,500) for advertising and marketing activities in connection with the Restaurant opening campaign. In certain metropolitan areas, we may require that you spend a greater minimum amount on the Restaurant

opening campaign. You will use our designated media vendor (if any) and must implement our recommended media plan (if any) in conducting the Restaurant opening campaign. We reserve the right to collect the Seven Thousand Dollars (\$7,000) directly from you and either: (1) spend it on your behalf in connection with the Restaurant opening campaign; or (2) reimburse you for approved advertising and marketing activities in connection with the Restaurant opening campaign. On or before the last day of each month during the first year of Restaurant operations, you must provide us with an accurate accounting of Restaurant opening campaign (advertising and marketing) expenses. If you fail to spend the required amount in connection with the Restaurant opening campaign, you must deposit with us the difference between what you should have spent on the Restaurant opening campaign and what you actually spent. We will deposit such amounts in the Marketing Fund. The amounts that you spend on your Restaurant opening campaign will not be credited towards your local advertising obligations or your Marketing Fee.

H. Relocation of Restaurant. You will not relocate the Restaurant from the Authorized Location without our prior written consent. If you relocate the Restaurant under this Section, the "new" franchised location of the Restaurant to which we consent (the "new" Authorized Location), including the real estate and building, must comply with all applicable provisions of this Agreement and with our then-current specifications and standards for Hot Head Burritos® restaurants. We will not unreasonably withhold our consent to the proposed relocation, provided we have received at least ninety (90) days' written notice prior to the closing of the Restaurant at the existing Authorized Location, you have obtained a site acceptable to us, and you agree to open the new Authorized Location for the Restaurant within five (5) days after you close the Restaurant at the prior Authorized Location and otherwise comply with any other conditions that we may require. If you must relocate the Restaurant because the Restaurant was destroyed, condemned or otherwise became untenable by fire, flood or other casualty, you must reopen the Restaurant at the new Authorized Location in the Protected Territory within six (6) months after you discontinue operation at the existing Authorized Location. In addition, we may require you to pay us a fee of twenty-five percent (25%) of our then-current initial franchise fee for services we will provide in connection with any relocation of the Restaurant before we will review a proposed new Authorized Location. There is no guarantee that an acceptable location will be available for relocation, and if you are unable to relocate your Restaurant within the Protected Territory and reopen your Restaurant within the time periods described in this Section 6(H), this Agreement will terminate.

I. Minimum Restaurant Capital Requirements. We reserve the right, as periodically described in the Operations Manual, to require you to directly invest (i.e., assets belonging to you or the Principal Owner(s) of a corporate entity) a minimum amount of capital in operating the Restaurant.

7. TRAINING AND OPERATING ASSISTANCE

A. Development of Restaurant. We will provide you with one set of prototype drawings and specifications for a Restaurant, reflecting our requirements for dimensions, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and decor. If you request additional sets of drawings and specifications, you must pay our expenses incurred to prepare such additional drawings, including the cost of our time. We will provide you with reasonable consulting services in connection with the selection and evaluation of the proposed Restaurant site and development of the Restaurant. You acknowledge that our assistance in site location and acceptance of the premises does not represent a representation or guaranty by us that the location will be a successful location for your Restaurant.

B. Training. Before the opening of the Restaurant, we will provide to you (or if you are an entity, each Principal Owner), the Operating Manager and any general manager, an initial training program on the operation of a Restaurant, provided at a place and time we designate. The Operating Manager (either a Principal Owner or other designated individual responsible for the day-to-day operation

of the Restaurant) must attend and successfully complete the entire initial training program. In addition, each Principal Owner (other than a Principal Owner who does attend the entire program as the Operating Manager) must attend those portions of the initial training program as we direct.

The initial training program will take place over a period of up to eight (8) days. If you are opening your second or subsequent Hot Head Burritos® restaurant and you, your Operating Manager and any general manager meet our then-current qualifications, we may elect to modify the scope and duration of the initial training program. The training program includes instruction and on-site training relating to Restaurant operations, understanding the equipment usage and maintenance, customer service, marketing and sales programs, accountability for sales and marketing, and methods of controlling operating costs. If, during the initial training program, we determine that the Operating Manager is not qualified to manage the Restaurant, we will notify you and you must select and enroll a substitute Operating Manager in the initial training program. If you, your Operating Manager and any general manager satisfactorily complete the training program, and do not inform us in writing at the end of the training program that you, your Operating Manager or any general manager do not feel sufficiently trained, you will be deemed to have been trained sufficiently to operate the Restaurant.

In addition, all general and assistant managers must complete our manager certification program. The Operating Manager may conduct the manager certification program, although we reserve the right to require that any manager be certified by us and we may charge you a reasonable fee for that manager certification program.

After the Restaurant opens, we will provide training (at times we determine) to any new Operating Manager at your expense. We may require that you (or a Principal Owner) and the Operating Manager, any general manager and any assistant manager attend all supplemental and refresher training programs that we designate for up to seven (7) days each calendar year. We will charge you a reasonable fee for these supplemental and refresher training programs.

You are solely responsible for the compensation, travel, lodging and living expenses you and your employees incur in attending the initial training program, and the manager certification program, as well as any supplemental or refresher training programs. You also are solely responsible for paying your employees and providing all necessary insurance, including worker's compensation insurance, for you and your employees, while you and your employees attend training.

C. Opening Assistance. We will provide you with the services of one of our representatives for a minimum of five (5) and up to fourteen (14) days, at our discretion, to assist you in the opening and initial operations of the Restaurant. We may determine the time at which our employee is available to you.

D. Operating Assistance. We will advise you on operational issues and provide assistance in operating the Restaurant as we deem appropriate. Operating assistance may include advice regarding the following:

1. additional Products and services authorized for sale at Hot Head Burritos® restaurants;
2. selecting, purchasing and marketing Products, and other approved materials and supplies;
3. marketing assistance and sales promotion programs;

4. establishing and operating administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for the proper operation of a Hot Head Burritos® restaurant.

We will provide such guidance, in our discretion, through our Operations Manual, bulletins or other written materials, telephone conversations and/or meetings at our office or at the Restaurant in conjunction with an inspection of the Restaurant. We will provide additional assistance for a fee.

E. Operations Manual. We will provide on loan to you, during the term of this Agreement, a hard copy of or electronic (Internet) access to an Operations Manual, which may include other handbooks, manuals and written materials (collectively, the "Operations Manual") for Hot Head Burritos® restaurants. The Operations Manual will contain mandatory and suggested specifications, standards and operating procedures that we develop for Hot Head Burritos® restaurants and information relating to your other obligations. Any required specifications, standards and operating procedures exist to protect our interests in the Business System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. We may add to, and otherwise modify, the Operations Manual to reflect changes in authorized Products and services, and specifications, standards and operating procedures of a Hot Head Burritos® restaurant. The master copy of the Operations Manual that we maintain at our principal office or on our website, and make available to you by electronic access, will control if there is a dispute involving the contents of the Operations Manual.

8. MARKS

A. Ownership and Goodwill of Marks. You acknowledge that you have no interest in or to the Marks and that your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable specifications, standards and operating procedures that we require during the term of the Franchise. You agree that the use of the Marks and any goodwill established exclusively benefits us, and that you receive no interest in any goodwill related to your use of the Marks or the Business System. You must not, at any time during the term of this Agreement or after your termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks.

B. Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Restaurant, but you must identify yourself as the independent owner in the manner we direct. You must not use any Mark as part of any corporate or trade name or in any modified form, nor may you use any Mark in selling any unauthorized product or service or in any other manner we do not expressly authorize in writing. You agree to display the Marks prominently and in the manner we direct on all signs and forms. Subject to our rights described in this Agreement, you agree to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Restrictions on Internet and Website Use. We retain the sole right to advertise the Business System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. You have the right to access our website. Except as we may authorize in writing, however, you will not: (1) link or frame our website; (2) conduct any business or offer to sell or advertise any Products or similar products or services on the Internet (or any other existing or future form of electronic communication) including e-mail marketing or other digital marketing; (3) create or register any Internet domain name in any connection with your franchise; (4) use any e-mail address which we have not authorized for use in operating the Restaurant; and (5) conduct any activity on "social media" or related social networking websites other than as we have expressly authorized in writing. You will not register, as Internet domain names, any of the Marks that we now or hereafter may own or any

abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

D. Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You must not communicate with any person other than us and our counsel regarding any infringement, challenge or claim. We may take any action we deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we may reasonably request to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

E. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you respecting the Marks and will, at your expense, cooperate in all respects with us in any court or other proceedings involving the Marks. We will pay the cost and expense of all litigation we incur, including attorneys' fees, specifically relating to the Marks. We and our legal counsel will have the right to control and conduct any litigation relating to the Marks.

F. Changes. You cannot make any changes or substitutions to the Marks unless we so direct in writing. We reserve the right, in our discretion, to modify or discontinue use of any Mark, or to use one or more additional or substitute trademarks or service marks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after notice by us.

9. RESTAURANT IMAGE AND OPERATING STANDARDS

A. Condition and Appearance of Restaurant/Remodeling of Restaurant. You agree to maintain the condition and appearance of the Restaurant (including adjacent parking areas and grounds), and refurbish and modify its layout, decor and general theme, as we may require to maintain the condition, appearance, efficient operation, ambience and overall image of Hot Head Burritos® restaurants, as we may modify. You will replace worn out or obsolete fixtures, equipment, furniture, or signs, repair the interior and exterior of the Restaurant, adjacent parking areas and grounds, and periodically clean and redecorate the Restaurant. If at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Restaurant premises (including parking areas and grounds) or its fixtures, equipment, furniture or signs do not meet our then-current standards, we will so notify you, specifying the action you must take to correct the deficiency. If you fail, within ten (10) days after receipt of notice, to commence action and continue in good faith and with due diligence, to undertake and complete any required maintenance or refurbishing, we may (in addition to our rights under Section 15 below) enter the Restaurant premises and correct the deficiencies on your behalf, and at your expense.

You will, at your expense, make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Restaurant premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your franchised business so that your business reflects the then-current physical appearance of new Hot Head Burritos® restaurants. We may require you to take such action: (1) five (5) years after the date of this Agreement; (2) as a condition to the transfer of any interest as further described in Section 14(C); (3) as a condition of renewal; and (4) otherwise during the term of the Agreement as further described in the Operations Manual. You acknowledge and agree that the requirements of this Section 9(A) are both reasonable and necessary to insure continued public acceptance and patronage of

Hot Head Burritos® restaurants and to avoid deterioration or obsolescence in connection with the operation of the Restaurant.

If the Restaurant is damaged or destroyed by fire or any other casualty, you will, within thirty (30) days, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) repairs or reconstruction, to restore the Restaurant premises to its original condition before the casualty. If, in our reasonable judgment, the damage or destruction is of a nature or to an extent that you can repair or reconstruct the premises of the Restaurant consistent with the then-current decor and specifications of a new Hot Head Burritos® restaurant without incurring substantial additional costs, we may require, by giving written notice, that you repair or reconstruct the Restaurant premises in compliance with the then-current decor and specifications.

B. Restaurant Alterations. You cannot alter the premises or appearance of the Restaurant, or make any unapproved replacements of or alterations to the fixtures, equipment, furniture or signs of the Restaurant without our prior written approval. We may, in our discretion and at your sole expense, correct any alterations to the Restaurant that we have not previously approved.

C. Restriction on Use of Premises. You agree that you will not, without our prior written approval, offer at the Restaurant any products or services we have not then authorized for use or sale for Hot Head Burritos® restaurants, nor will the Restaurant or the premises which it occupies be used for any purpose other than the operation of a Hot Head Burritos® restaurant in compliance with this Agreement.

D. Your Hiring and Training of Employees. You will hire all employees of the Restaurant, and be exclusively responsible for the terms of their employment, compensation, scheduling, benefits, disciplining, and all other personnel decisions respecting Restaurant employees without any influence or advice from us. You will implement a training program for Restaurant employees in compliance with our requirements. You will maintain at all times a staff of trained employees sufficient to operate the Restaurant in compliance with our standards. At all times, the Restaurant must be under the direct, on-site supervision of the Operating Manager or a certified manager. As described in Section 13(B), you are limited in your ability to hire our, our affiliates' and other Hot Head Burritos® franchisees' former employees.

E. Authorized Ingredients, Supplies and Equipment. You agree to use in the operation of the Business only such Products, ingredients, recipes formulas, supplies and equipment which we have approved as being suitable for use and meeting the standards of quality and uniformity for the System and are purchased from suppliers we have approved (which may include us and/or our affiliates). We periodically may modify the lists of approved brands and suppliers. If you propose to offer for sale or use in operating the Restaurant any products, ingredients, supplies and equipment which we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the brand and/or supplier to permit us to determine whether the brand complies with our specifications and standards and/or the supplier meets our approved supplier criteria. We reserve the right to require you to pay the expenses of our evaluation and will notify you prior to commencing our evaluation if we elect to do so. We will notify you within a reasonable time whether the proposed brand and/or supplier is approved. We may develop procedures for the submission of request for approved brands or suppliers and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by the approved supplier). We may impose limits on the number of suppliers and/or brands for any Products, ingredients, supplies or equipment sold or used in the Restaurant or otherwise related to the Franchise, and we may require that you use only one supplier for any Products, ingredients, supplies or equipment. You agree that certain Products, materials, and other items and supplies may only be available from one source, and we or our affiliates may be that source. WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL

WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING PRODUCTS, EQUIPMENT (INCLUDING ANY REQUIRED POINT-OF-SALE SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE SYSTEM.

F. Health and Sanitation. You must comply with all applicable governmental health and sanitary standards in operating and maintaining your Restaurant. You also must comply with any higher standards that we prescribe. In addition to complying with such standards, if the Restaurant will be subject to any governmental sanitary or health inspection under which it may be rated in one or more than one classification, the Restaurant will be maintained and operated so as to be rated in the highest available health and sanitary classification respecting each such inspection. If you fail to be rated in the highest classification or receive any notice that you are not in compliance with all applicable health and sanitary standards, you will immediately notify us of such failure or noncompliance.

G. Period of Operation. We will approve the hours of operation for the Restaurant and you may not modify those hours of operation without our prior written consent.

H. Standards of Service. You must at all times give prompt, courteous and efficient service to your customers. You must, in all dealings with your customers and suppliers and the public, adhere to the highest standards of honesty, integrity and fair dealing.

I. Specifications, Standards and Procedures. You acknowledge that each and every detail of the appearance and operation of the Restaurant is important to us and other Hot Head Burritos® restaurants. You agree to maintain the highest standards of quality and service in the Restaurant and agree to comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) relating to the appearance or operation of a Hot Head Burritos® restaurant, including:

1. type and quality of Products;
2. methods and procedures relating to marketing, customer service and order processing;
3. the safety, maintenance, cleanliness, function and appearance of the Restaurant premises and its fixtures, equipment, furniture, décor and signs;
4. qualifications, dress, general appearance and demeanor of Restaurant employees. Each of your employees will wear only those uniforms which we have approved in writing;
5. the style, make and/or type of equipment (including computer equipment) used in operating the Restaurant;
6. use and illumination of exterior and interior signs, posters, displays, standard formats and similar items; and
7. Restaurant advertising and promotion.

J. Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Restaurant, including a liquor license, and must operate the Restaurant in full compliance with all applicable laws, ordinances and

regulations, including all liquor laws such as dram shop laws, and labor and employment laws. You must comply with all laws and regulations relating to privacy and data protection and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of you or the Restaurant. You must notify us immediately of any suspected data breach at or in connection with the Restaurant. You will not conduct any business or advertising practice which injures our business, the Business System or the goodwill associated with the Marks and other Hot Head Burritos® restaurants.

K. Management of the Restaurant/Conflicting Interests. The Restaurant must at all times be under the Operating Manager's direct supervision. If the Operating Manager is not you or a Principal Owner, you (or a Principal Owner) must remain active in overseeing Restaurant operations.

You must at all times faithfully, honestly and diligently perform your obligations and continuously use your best efforts to promote and enhance the business of the Restaurant. The Restaurant Manager must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with your obligations.

If at any time the Operating Manager is not managing the Restaurant, we immediately may appoint a manager to maintain Restaurant operations on your behalf. Our appointment of a manager of the Restaurant does not relieve you of your obligations or constitute a waiver of our right to terminate the Franchise under Section 15 below. We are not liable for any debts, losses, costs or expenses you incur in operating the Restaurant or to any creditor of yours for any Products, materials, supplies or services purchased by the Restaurant while it is managed by our appointed manager. We may charge a reasonable fee for management services and cease to provide management services at any time.

L. Insurance. You agree to purchase and maintain in force, at your expense, comprehensive general liability insurance, including products liability, property damage, and personal injury coverage with a combined single limit of at least Two Million Dollars (\$2,000,000) for each occurrence and at least Four Million Dollars (\$4,000,000) in the aggregate. In addition, you agree to purchase and maintain in force, at your expense; automobile liability insurance; worker's compensation, employer's liability, Dram Shop insurance with minimum limits of at least \$1,000,000 in coverage and at least \$2,000,000 in the aggregate if you offer beer and wine at your Restaurant, and other insurance as we require or otherwise to meet statutory requirements; and such other types of insurance as we may periodically require.

All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and that have an A.M. Best rating of A or higher; (2) will name us and our affiliates, and their respective officers, directors and employees as an additional insured; (3) contain a waiver of the insurance company's right of subrogation against us; (4) contain the above-mentioned insurance coverage for each Hot Head Burritos® restaurant that you operate; and (5) provide that we will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as required by the insurance carrier and approved by us). We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur, together with an administrative fee equal to five percent (5%) of the insurance premium. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence

of compliance with these requirements as we periodically require at least 2 weeks before you take possession and commence development of the Restaurant premises and at such other times as we may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require. Your obligation to obtain and maintain these insurance policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in Section 18. Your insurance procurement obligations under this Section are separate and independent of your indemnity obligations. We do not represent or warrant that any insurance that you are required to purchase will provide you adequate coverage. The requirements of insurance specified in this Agreement are for our protection. You should consult with your own insurance agents, brokers, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits required by us.

M. Participation in Internet Website. You will participate in a Hot Head Burritos® website listed on the Internet or other online communications and participate in any intranet system we control. We will, at our discretion, determine the content and use of a Hot Head Burritos® website and intranet system and will establish rules under which you may or will participate. We will retain all rights relating to the Hot Head Burritos® website and intranet system and may alter or terminate the website or intranet system upon thirty (30) days' notice to you. Your general conduct on the Internet and the Hot Head Burritos® intranet system, and specifically your use of the Marks or any advertising on the Internet (including the domain name and any other Marks we may develop as a result of participation in the Internet), will be subject to the provisions of this Agreement. You acknowledge that certain information obtained through your online participation in the website or intranet system is considered Confidential Information (as defined in Section 12 below), including access codes and identification codes. Your right to participate in the Hot Head Burritos® website or intranet system or otherwise use the Marks or the Business System on the Internet will terminate when this Agreement expires or terminates.

10. RECORDS AND REPORTS

A. Accounting and Records. During the term of this Agreement, you will, at your expense, maintain at the Restaurant premises and retain for a minimum of five (5) years from the date of their preparation, complete and accurate books, records and accounts (using such methods and systems of bookkeeping and accounting as we may require) relating to the Restaurant (the "Records"), in the form and manner we direct in the Operations Manual or otherwise in writing. The Records will include the following: (1) daily cash reports; (2) cash receipts journal and general ledger; (3) cash disbursements journal and weekly payroll register; (4) employee meal records; (5) monthly bank statements and daily deposit slips and canceled checks; (6) all tax returns relating to the Restaurant and of each of the Principal Owners; (7) suppliers' invoices (paid and unpaid); (8) dated cash registered tapes (detailed and summary); (9) monthly balance sheets and profit and loss statements; (10) weekly inventories; (11) records of promotion and coupon redemption; and (12) such other records and information as we periodically may request. You will be permitted to preserve the Records and submit reports electronically, consistent with our requirements.

B. Reports and Tax Returns. You will deliver or allow us access to the following: (1) daily statements relating to Net Sales accompanying your payment of weekly Royalty Fees; (2) monthly income statements in a format we require; (3) at our request, a quarterly profit and loss statement for the Restaurant for the immediately preceding calendar quarter and a year-to-date profit and loss statement; (4) at our request, an annual profit and loss statement and source and use of funds statement for the Restaurant for the year and a balance sheet for the Restaurant as of the end of the year, reviewed by an independent certified public accountant; and (5) at our request, all tax returns relating to the Restaurant and of each of the Principal Owners. You also will provide to us copies of all Records and other

information and supporting documents as we designate. All financial statements, reports and information must be on forms we approve and signed and verified by you.

11. INSPECTION AND AUDITS

A. Our Right to Inspect the Restaurant. To determine whether you are complying with this Agreement, we may, at any time during business hours and without prior notice to you, inspect the Restaurant and test, sample, inspect and evaluate your supplies, ingredients and Products as well as the storage, preparation and formulation of those items. You will fully cooperate with our representatives making any inspection and will permit our representatives to take photographs or videotapes of the Restaurant and to interview employees and customers of the Restaurant. We may require you to pay for the expense of mystery shopper visits at your Restaurant.

B. Our Right to Examine Books and Records. We may, at all reasonable times and without prior notice to you, examine, audit, or request copies of the Records, including the books, records and state and/or federal income tax records and returns of any Principal Owner. You must maintain all Records and supporting documents at all times at the Restaurant premises. You will make financial and other information available at a location we reasonably request, and will allow us (and our agents) full and free access to any such information at the Restaurant. You otherwise will fully cooperate with our representative and independent accountants hired to conduct any examination or audit.

C. Result of Audit; Unreported Net Sales. If any examination or audit discloses an understatement of Net Sales, you will pay to us, within fifteen (15) days after receipt of the examination or audit report, the Royalty Fees and any Marketing Fees due on the amount of the understatement, plus interest (at the rate provided in Section 4(D) above) from the date originally due until the date of payment. You must reimburse us for the cost of the audit or examination, including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, if: (1) an examination or audit is necessary because you failed to timely provide required information; (2) any examination or audit results in a determination that Net Sales for any month are understated by greater than two percent (2%); or (3) you fail to spend the minimum amount required for local restaurant promotion under Section 5(B) above. The foregoing remedies are in addition to all of our other remedies and rights under applicable law.

12. CONFIDENTIAL INFORMATION/IMPROVEMENTS

A. Confidential Information. You acknowledge and agree that you do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Restaurant pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary and is our trade secret and is disclosed to you solely on the condition that you agree that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement all reasonable procedures we direct to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Restaurant employees; and (5) will sign a Confidentiality Agreement and will require the Operating Manager and other managers, employees and agents with access to Confidential Information to sign such an agreement in a form we approve, which will be substantially similar to the form attached as Exhibit E to this Agreement.

The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts to maintain the confidential treatment of the Confidential Information, and provide us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

B. Improvements. You must fully and promptly disclose to us all ideas, concepts, products, recipes, process methods, techniques, improvements, additions and Customer Data relating to the development and/or operation of a Hot Head Burritos® restaurant or the Business System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Restaurant, or any advertising or promotion ideas related to the Restaurant (collectively, the "Improvements") that you, the Principal Owners or your employees or agents conceive or develop during the term of this Agreement. You and your Principal Owners, agents and employees acknowledge and agree that any Improvement is our property, and you and your Principal Owners, agents or employees must sign all documents necessary to evidence the assignment of the Improvement to us without any additional compensation. You acknowledge and agree that we may use the Improvement and disclose and/or license the Improvement for use by others. You must not introduce any Improvement or any additions or modifications of or to the Business System into the Restaurant without our prior written consent.

13. COVENANTS

A. Organization. If you are a corporation, limited liability company, partnership or other entity, then you covenant that:

1. You are organized and validly exist under the laws of the state where you were formed;
2. You are qualified and authorized to do business in the jurisdiction where the Protected Territory and Restaurant is located;
3. Your articles of incorporation, bylaws, operating agreement, member control agreement or other organizational documents ("Authorizing Documents") at all times will provide that your business activities will be limited exclusively to the ownership and operation of the Restaurant, unless you otherwise obtain our written consent;
4. You have the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;
5. You must provide us copies of all Authorizing Documents and any other documents, agreements or resolutions we request in writing;
6. The names of the Principal Owners are accurately stated on the Guaranty attached hereto as Exhibit D; and
7. At all times, you will maintain a current schedule of the Principal Owners and their ownership interests (including the Principal Owners' names, address and telephone numbers) and will immediately provide us with an updated ownership schedule if there is any change in ownership.

B. Non-Solicitation of Customers/Employees. You covenant that, during the term of this Agreement, and for a period of two (2) years thereafter, you will not, directly or indirectly: (1) divert or attempt to divert any business, account or customer of the Restaurant or any other Hot Head Burritos® restaurants or the Business System to any competing business; and (2) employ or seek to employ any person that is serving in a managerial or supervisory role and employed by us, or any other person who is at that time operating or employed by or at any other Hot Head Burritos® restaurant, or otherwise directly or indirectly induce such persons to leave their employment.

C. Covenant Not to Compete During Term. You (and each Principal Owner and the Operating Manager) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation: (i) divert or attempt to divert any business or customers of the Restaurant to any competitor or perform any act that would damage the goodwill associated with the Marks or the Business System; or (ii) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any business (including any e-commerce or Internet-based business) that distributes, sells or otherwise deals in, at wholesale or retail, burritos, tacos, nachos, quesadillas, salsas, or other Mexican food products, and related food and beverage products, or any other related business that is competitive with or similar to a Hot Head Burritos® restaurant, except: (1) with our prior written consent; (2) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities; or (3) under a separate agreement between you and us.

D. Post-Term Covenant Not to Compete. You (and each Principal Owner and Operating Manager) will not, for a period of two (2) years after this Agreement expires or is terminated or the date on which you cease to operate the Restaurant, whichever is later, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation: (1) divert or attempt to divert any business or customers of the Restaurant to any competitor or perform any act that would damage the goodwill associated with the Marks or the Business System; or (2) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any business that operates, or distributes or sells to, at wholesale or retail, fast/casual restaurants, stores or any other location offering burritos, tacos, nachos, quesadillas, salsas, or other Mexican food products, or any other related business that is competitive with or similar to a Hot Head Burritos® restaurant or any wholesale or retail business we then may operate relating to the sale of any Products that is located at the Restaurant or within a five (5) mile radius of the former site of the Restaurant or any other then existing Hot Head Burritos® restaurant; provided, however, that this Section 13(D) will not apply to: (i) other Hot Head Burritos® restaurants that you operate under separate Hot Head Burritos® franchise agreements; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities. For purposes of this Section, any form of e-commerce business or website that offers burritos, tacos, salsas, or other Products offered at a Hot Head Burritos® restaurant will be in violation of this provision if such e-commerce business or website offers, sells or otherwise makes its products or services available to individuals residing within or businesses located within a five (5) mile radius of the former site of the Restaurant or any other then-existing Hot Head Burritos® Restaurant. You agree that the length of time in this Section 13(D) will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement.

E. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section in that injunctive relief is essential for our protection. You therefore agree that we may seek injunctive relief without posting any bond or security, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates

any covenant in this Section. The covenants stated in this Section will survive the termination or expiration of this Agreement.

14. ASSIGNMENT

A. By Us. This Agreement is fully assignable by us and benefits our successors and assigns. Any such assignment will require the assignee to fulfill our obligations under this Agreement. You acknowledge and agree that, following the effective date of any such assignment, you will look solely to the transferee or assignee, and not to us, for the performance of all obligations under this Agreement.

B. Your Assignment to Corporation or Limited Liability Company. You (as an individual) may assign this Agreement to a corporation or a limited liability company that conducts no business other than the Restaurant (or other Hot Head Burritos® restaurants under franchise agreements with us), provided: (1) you or the Operating Manager actively manage the Restaurant; (2) you own at least fifty-one percent (51%) of the ownership interest in the corporation or limited liability company; (3) you and all Principal Owners of the assignee entity sign the Personal Guaranty attached hereto as Exhibit D; (4) you provide us fifteen (15) days' written notice before the proposed date of assignment of this Agreement to the corporation or limited liability company; (5) you provide to us a certified copy of the articles of incorporation, operation agreement, organizational documents, and a list of all shareholders or members having beneficial ownership, reflecting their respective interest in the assignee entity; and (6) the organizational documents and all issued and outstanding stock or membership certificates will bear a legend, in form acceptable to us, reflecting or referring to the assignment restrictions stated in Section 14(C) below. You will not pay a transfer fee for an assignment under this Section 14(B).

C. Your Assignment or Sale of Substantially all of Your Assets. You understand that we have granted the Franchise under this Agreement in reliance upon your individual or collective character, aptitude, attitude, business ability and financial capacity. You (and your Principal Owners) will not transfer (whether voluntary or involuntary), assign or otherwise dispose of, in one or more transactions, your business, the Restaurant, substantially all or all of the assets of the Restaurant, this Agreement or any controlling interest in you ("controlling interest" to include a proposed transfer of fifty percent (50%) or more of the common (voting) stock of a corporate you or of the ownership interest in a limited liability company or partnership) unless you obtain our prior written consent (except as provided in Section 14(B) above). We will not unreasonably withhold our consent to an assignment of this Agreement, provided you comply with any or all of the following conditions which we may, in our discretion, deem necessary:

1. All of your accrued monetary obligations to us and our affiliates have been satisfied, and you otherwise are in good standing under this Agreement and any other agreement between you and us;

2. The transferee (or the managing Principal Owners, if applicable) is approved by us and demonstrates to our satisfaction that he/she meets our managerial, financial and business standards for new Hot Head Burritos® restaurants, possesses a good business reputation and credit rating, and has the aptitude and ability to conduct the franchised business. You understand that we may communicate directly with the transferee during the transfer process to respond to inquiries, as well as to insure that the transferee meets our qualifications;

3. The transferee enters into a written agreement, in form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this Agreement for the remainder of your term or, at our option, signs our then-current standard form of franchise agreement (which will provide for the same Royalty Fees and Marketing Fees required for a term

equal to the remaining term of this Agreement, although such agreement may provide other rights and obligations from those provided in this Agreement);

4. The transferee and the new Operating Manager successfully complete the initial training program required of new Hot Head Burritos® restaurants;

5. If required, the lessor of the Restaurant premises consents to your assignment or sublease of the premises to the transferee;

6. You pay us a transfer fee equal to fifty percent (50%) of our then-current standard initial franchise fee applicable to new Hot Head Burritos® restaurants (if the transferee is an existing Hot Head Burritos® franchisee, the transfer fee is equal to twenty-five (25%) of our then-current standard initial fee);

7. You (and each Principal Owner, if applicable) sign a general release, in a form and substance satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law;

8. We approve the material provisions of the assignment or sale of assets which assignment or sale cannot permit you to retain a security interest in this Agreement or any other intangible asset; and

9. You (and each Principal Owners, if applicable) sign an agreement, in form satisfactory to us, in which you and each Principal Owner covenant to observe the post-termination covenant not to compete and all other applicable post-termination obligations.

We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 14, and may do so in the Operations Manual or otherwise in writing.

D. Death or Disability. If you (or the managing Principal Owner) die or are permanently disabled, your executor, administrator or other personal representative, or the remaining Principal Owners, must appoint (if necessary) a competent Operating Manager acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability. The appointed Operating Manager must satisfactorily complete our designated training program. If you have been the designated Operating Manager and an approved Operating Manager is not appointed within thirty (30) days after your death or permanent disability, we may, but are not required to, immediately appoint an Operating Manager to maintain Restaurant operations on your behalf until an approved assignee can assume the management and operation of the Restaurant. Our appointment of an Operating Manager does not relieve you of your obligations, and we will not be liable for any debts, losses, costs or expenses you incur in operating the Restaurant or to any creditor of yours for any Products, materials, supplies or services purchased by the Restaurant while it is managed by our appointed manager. We may charge a reasonable fee for management services and may cease to provide management services at any time.

If you (or the managing Principal Owner) die or are permanently disabled, your executor, administrator, or other personal representative must transfer your interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we approve. Such transfers, including transfers by devise or inheritance will be subject to conditions contained in Section 14(C) above.

E. Public or Private Offerings. Subject to Section 14(C) above, if you (or any of your Principal Owners) desire to raise or secure funds by the sale of securities (including common or preferred

stock, bonds, debentures or general or limited partnership interests) in you or any affiliate of you, you agree to submit any written information to us before your inclusion in any registration statement, prospectus or similar offering circular or memorandum and must obtain our written consent to the method of financing before any offering or sale of securities. Our written consent will not imply or represent our approval respecting the method of financing, the offering literature submitted to us or any other aspect of the offering. No information respecting us or any of our affiliates will be included in any securities disclosure document, unless we furnish the information in writing in response to your written request, which request will state the specific purpose for which the information is to be used. Should we, in our discretion, object to any reference to us or any of our affiliates in the offering literature or prospectus, the literature or prospectus will not be used unless and until our objections are withdrawn. We assume no responsibility for the offering.

The prospectus or other literature used in any offering must contain the following language in boldface type on the first textual page:

"NEITHER HOT HEAD FRANCHISING, LLC NOR ANY OF ITS AFFILIATES: (A) IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED, (B) ASSUMES ANY RESPONSIBILITY RESPECTING THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED HEREIN, OR (C) ENDORSES OR MAKES ANY RECOMMENDATION RESPECTING THE INVESTMENT CONTEMPLATED BY THIS OFFERING."

F. Our Right of First Refusal. If you or your Principal Owners at any time desire to sell or assign for consideration the Franchise, the Restaurant, an ownership interest representing (in the aggregate) fifty percent (50%) or more of the ownership in you or all or substantially all of your assets, you or your Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Principal Owners within thirty (30) days following receipt of the proposed offer, to purchase the interest in the Restaurant or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Principal Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and the Principal Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal.

G. Guaranty. All of your Principal Owners (if you are a corporation, partnership or other entity) will sign the Guaranty and Assumption Agreement in the form attached to this Agreement as Exhibit D (the "Guaranty Agreement"). Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of yours under the provisions of this Section 14 or otherwise will, as a condition of becoming a Principal Owner, sign the Guaranty Agreement.

15. OUR TERMINATION RIGHTS

A. Termination of Franchise Agreement - Grounds. You will be in default, and we may, at our option, terminate this Agreement, as provided herein, if: (1) you (or the managing Principal Owner) fail to satisfactorily complete the initial training program or fail to open and commence full operations of the Restaurant at such time as provided in this Agreement; (2) you violate any material provision or obligation of this Agreement; (3) you or any of your managers, directors, officers or any Principal Owner makes a material misrepresentation or omission in the application for the Franchise; (4) you or any of your managers

(including the Operating Manager), directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the Business System, the Marks or the goodwill associated therewith, or if we have proof that you have committed such a felony, crime or offense; (5) you fail to conform to the material requirements of the Business System or the material standards of uniformity and quality for the Products and services as described in the Operations Manual or as we have established under the Business System; (6) you fail to timely pay Royalty Fees or Marketing Fees or any other obligations or liabilities due and owing to us or our affiliates, other Hot Head Burritos® restaurants or suppliers we approve as a source for required items, or fail to timely pay any advertising cooperative obligations; (7) you are insolvent within the meaning of any applicable state or federal law; (8) you make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of your assets for the benefit of creditors; (9) you voluntarily or otherwise "abandon" (as defined below) the Restaurant; (10) you are involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name "Hot Head Burritos" or any of the Marks or the Business System; (11) you or a Principal Owner makes an unauthorized assignment or transfer of this Agreement, the Restaurant or an ownership interest in you; (12) the operation, maintenance or construction of the Restaurant results in a threat or danger to the public health or safety; (13) you violate any federal, state or local government health code in connection with the operation of the Restaurant; (14) your lease for the Restaurant premises expires or is terminated for any reason (unless, through no fault of you, the lessor of the premises in which the Restaurant is located refuses to renew your lease and you relocate within the Protected Territory to a site we approve within ninety (90) days thereafter); (15) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise; or (16) if applicable, your liquor license for the Restaurant is revoked or suspended. Any report submitted under Section 10(B) will be conclusively deemed to be materially false if it understates Net Sales by more than five percent (5%). The term "abandon" means your failure to operate the Restaurant during regular business hours for a period of three (3) consecutive days or ten (10) or more days in a twelve-month period without our prior written consent unless such failure is due to an event of "*force majeure*" as further described in Section 20(J) below.

B. Procedure. Except as described below, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you effective immediately when the thirty (30) day period, or such longer period as applicable law may require, expires. You will have ten (10) days after your receipt from us of a written Notice of Termination, or such longer period as applicable law may require, to remedy any default under item (6) in Section 15(A) above and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the ten (10) day period expires, or such longer period as applicable law may require. You will have seventy-two (72) hours, or such longer period as applicable law may require, after you receive from us a written Notice of Termination to remedy any default under item (13) in Section 15(A) above and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Agreement will terminate without further notice to you, effective immediately when the seventy-two (72) hour period expires, or such longer period as applicable law may require. We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one or more material requirements of this Agreement on three (3) separate occasions within any twelve (12) month period; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold; or (4) any default under items (3), (4), (7), (8), (9), (10), (11), (12), (14), (15), or (16) in Section 15(A) above.

C. Management of Restaurant While You are in Default. In addition to our termination rights described in Sections 15.1 and 15.2 above, while you are in default of this Agreement, we may, but are not required to, manage, or designate a third party to manage, the Restaurant on your behalf. Our, or our designee's, management of the Restaurant does not relieve you of your obligations and neither we nor our designee will be liable for any debts, losses, costs or expenses incurred in operating the Restaurant or to any of your creditors for any materials supplies or services purchased by the Restaurant while we, or our designee, manage it. We, or our designee, may charge you a fee for management services and may cease providing management services at any time.

D. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

16. YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any material obligation of us to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

17. YOUR OBLIGATIONS UPON TERMINATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason other than a termination as a result of a breach by us, you will:

1. immediately cease operation of the Restaurant and using the Marks as well as any confusingly similar trademarks or service marks;
2. within ten (10) days after termination, pay all amounts due and owing to us or our affiliates, including all Royalty Fees, Marketing Fees and accrued interest due under this Agreement;
3. discontinue using, and return to us by priority United States mail with a tracking number, any hard copies of, the Operations Manuals and any other manuals, advertising materials, and all other printed materials relating to the operation of the Franchise;
4. assign to us or, at our discretion, disconnect the telephone number for the Restaurant. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;
5. remove from the Restaurant premises all signs, posters, fixtures, decals, wall coverings and other materials that are distinctive of a Restaurant or bear the name "Hot Head Burritos" or other Marks;
6. comply with all post-termination obligations under any software license agreement, including the return of all materials relating to any Proprietary Software;
7. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;

8. immediately cease using Confidential Information in whatever format it may appear and return to us (or, at our option, destroy or electronically delete) all electronic or hard-copy documents in your possession that contain Confidential Information;

9. at our option, we will purchase your inventory of Products in good and saleable condition at your actual cost less a 30% stocking fee and you will return to us any other remaining Products at no cost to us; and

10. comply with all other applicable provisions of this Agreement, including the non-compete provisions.

Upon termination of this Franchise Agreement for any reason, your right to use the name "Hot Head Burritos" and the other Marks and the Business System will immediately terminate and you (and the Principal Owners) will not in any way associate yourself/themselves as being associated with us. If you fail to remove all signs and other materials bearing the Marks, we may do so at your expense.

B. Redecoration. If this Agreement is terminated for any reason, and you either remain in possession of the premises of the former Restaurant to operate a separate business not in violation of Section 13 above or enter into an agreement with a third party to allow such third party to directly operate a business at the premises of the former Restaurant, you will, at your expense, modify both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of Hot Head Burritos® restaurants. At a minimum, such changes and modifications to the premises will include: (1) repainting the premises with totally different colors; (2) removing all signs and other materials bearing the name "Hot Head Burritos" and other Marks; (3) removing from the premises all fixtures which are indicative of Hot Head Burritos® restaurants; (4) discontinuing use of the approved employee uniforms and refraining from using any uniforms which are confusingly similar; (5) discontinuing use of all packaging and Confidential Information regarding the operation of the Restaurant; and (6) taking such other action, at your expense, as we may reasonably require. If you fail to immediately initiate modifications to the premises of the former Restaurant or complete such modifications with any period of time we deem appropriate, you agree that we or our designated agents may enter the premises of the former Restaurant to make such modifications, at your risk and expense, without responsibility for any actual or consequential damages to your property or others, and without liability for trespass or other tort or criminal act.

C. Our Option to Purchase Restaurant. If this Agreement expires or is terminated for any reason (other than our fault), we have the option, upon thirty (30) days' written notice from the date of expiration or termination, to purchase from you all the tangible and intangible assets relating to the Restaurant, including the Restaurant premises if you own the Restaurant premises (excluding any unsalable inventory, cash, short-term investments and accounts receivable) (collectively, the "Purchased Assets") and to an assignment of your lease for (1) the Restaurant premises (or, if an assignment is prohibited, a sublease for the full remaining term under the same provisions as your lease) and (2) any other tangible leased assets used in operating the Restaurant. If the landlord respecting the lease for the Restaurant premises is an affiliate of you (controlling, controlled by or under common control with you) we will have the right to assume the lease on terms generally consistent with then-current market rates for space in the immediate area surrounding the Restaurant location. We may assign to a third party this option to purchase and assignment of leases separate and apart from the remainder of this Agreement.

The purchase price for the Restaurant will be the fair market value of the Purchased Assets; provided that: (1) we may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (2) we may exclude from fair market value any provision for goodwill or similar value attributable to intangible property (such as the Marks and

Confidential Information). If the parties cannot agree on fair market value within a reasonable time, we will designate an independent appraiser to determine the fair market value of the Purchased Assets. The determination of such appraiser will be binding on the parties hereto, and the costs of such appraisal will be divided equally between you and us. The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur within a reasonable time, not to exceed sixty (60) days, after the fair market value is determined. At the closing, you will deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to us or our designee and such other documents we may reasonably request to permit us to operate the Restaurant without interruption. We may set off against and reduce the purchase price by all amounts you owe to us or any of our affiliates. If we exercise our option to purchase the Restaurant, we may, pending the closing, appoint a manager to maintain Restaurant operations.

If we assume the lease for the Restaurant under this Section, you will pay, remove or satisfy any liens or other encumbrances on your leasehold interest and will pay in full all amounts due the lessor under the lease existing at or prior to assumption. We are not liable for any obligation you incur before the date we assume the lease.

D. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

18. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A. Relationship of the Parties. We and you are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. You must conspicuously identify yourself at the premises of the Restaurant and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of the Restaurant under a franchise agreement from us, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as we require.

B. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries, affiliates, stockholders, members, directors, officers, employees and agents harmless against, and to reimburse us or them for, any loss, liability or damages arising out of or relating to your ownership or operation of the Restaurant, and all reasonable costs of defending any claim brought against us or any of them or any action in which us or any of them is named as a party (including reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to the our breach of this Agreement, gross negligence or willful misconduct. You must pay all losses, liability or damages we incur pursuant to your obligations of indemnity under this Section 18(B) regardless of any settlement, actions or defense we undertake or the subsequent success or failure of any settlement, actions or defense. Further, you agree to give us immediate notice of any such action, proceeding, demand or investigation brought against you or the Restaurant. We may, at our option, designate counsel, at your expense, to defend or settle such action, proceeding, demand or investigation brought against you or the Restaurant. This obligation does not diminish your indemnification obligations under this Section 18(B).

C. Our Indemnification Obligations. We agree to indemnify and hold you and your officers, directors and agents harmless against, and to reimburse you and them for, any loss, liability or damage solely arising from or relating to our breach of this Agreement, gross negligence or willful misconduct, and all reasonable costs of defending any claim brought against you or them or any action in which you or they are named as a party (including reasonable attorneys' fees).

D. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

19. DISPUTE RESOLUTION

A. Mediation. Except as otherwise stated in this Section 19(A), the parties agree to submit any claim, controversy or dispute arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement to non-binding mediation before bringing such claim, controversy or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between you and us, agreed upon by the parties. If the parties do not agree upon a mediator or mediation services organization within fifteen (15) days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, in the city in which our corporate headquarters is located at the time the mediation is commenced. The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve the claim, controversy or dispute within sixty (60) days after conferring with the mediator, either party may submit such claim, controversy or dispute to the appropriate court as described in Section 19(B) below. Either party may bring an action under the applicable provisions of this Section 19 without first submitting the action to mediation under this Section 19(A): (1) for injunctive relief, or (2) involving the possession or disposition of, or other relief relating to, real property. In addition, we may bring an action under the applicable provisions of this Section 19 without first submitting the action to mediation hereunder for monies you owe us.

B. Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 19(C) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud in the arbitrability of any matter) that have not been settled by or are not otherwise subject to mediation as described in Section 19(A) above will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in the city in which our corporate headquarters is located at the time the arbitration is commenced. The arbitrator(s) will have a minimum of five (5) years' experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The decision of the arbitrator(s) will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance we establish. Any arbitration proceeding will be limited to controversies between you and us, and will not be expanded to include any other Hot Head Burritos® franchisee or include any class action claims. This Section 19 will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of arbitrator(s) may be entered in any court having jurisdiction thereof. During any arbitration proceeding, we and you will fully perform our respective obligations under this Agreement.

C. Injunctive Relief. Notwithstanding Sections 19(A) and (B) above, you recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all other Hot Head Burritos® restaurants. Therefore, if you breach or threaten to breach any of the terms of this Agreement, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of

reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrators.

D. Attorneys' Fees. The nonprevailing party will pay all costs, expenses, and interest including reasonable attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

20. ENFORCEMENT

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. Our waiver of any breach by you, or our delay or failure to enforce any provision of this Agreement, will not be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights respecting that or any other breach.

C. Rights of Parties are Cumulative. The rights of us and you are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Venue. Any cause of action, claim, suit or demand allegedly arising from or related to this Agreement or the relationship of the parties must be brought exclusively in the state or federal court of competent jurisdiction in the state covering the location in which our corporate offices are located at the time the action is commenced. We also have the right to file any such suit against you in the federal or state court where the Restaurant is located. Each of us and you irrevocably consents to the jurisdiction of such courts, and waive all rights to challenge personal jurisdiction and venue.

E. Governing Law. Subject to our rights under federal trademark laws, this Agreement will be governed by and construed under the laws of Ohio, without regard to any conflict of laws principles of such state. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through any state franchise or business opportunity laws, other than those of Ohio.

F. Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both you and us. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

G. References. If you consist of two or more individuals, such individuals will be jointly and severally liable, and references to you in this Agreement will include all such individuals.

H. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

1. Our Rights. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the Business System in any manner that is not specifically precluded by the provisions of this Agreement.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise "reasonable business judgment" in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the Business System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the Business System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the Business System. Neither you nor any third party (including a trier of fact), will substitute their judgment for our reasonable business judgment.

I. WAIVER OF PUNITIVE DAMAGES. YOU AND WE AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY US.

J. Force Majeure. If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

K. Notice of Potential Profit. We advise you that we and/or our affiliates periodically may make available to you goods, Products and/or services for use in the Restaurant on the sale of which we and/or our affiliates may make a profit. We further advise you that we and our affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, Products or services to you or in consideration for services provided or rights license to such persons. You agree that we and our affiliates will be entitled to such profits and consideration.

L. Limitation of Actions. Subject to any applicable statute of limitations, you and we agree that neither party will have the right to bring any claim or action against the other party unless the action or claim is commenced within one (1) year after the offended party has knowledge of the facts giving rise to the action or claim.

M. Entire Agreement. The "Introduction" section, the exhibit(s) to this Agreement, and that certain Disclosure Acknowledgment Agreement signed contemporaneously by you are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

21. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement will be delivered by hand, sent by a recognized overnight delivery service or by registered U.S. Mail, or by other means which provides the sender with evidence of delivery, or of rejected delivery, and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party. Any notice by a means which provides the sender with evidence of delivery, or rejected delivery, will be deemed to have been given at the date and time of receipt or rejected delivery.

22. ACKNOWLEDGEMENTS

A. Success of Franchised Business. The success of the business venture you intend to undertake under this Agreement is speculative and depends, to a large extent, upon your (or the Principal Owner's) ability as an independent businessman, and your active participation in the daily affairs of the Restaurant as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture.

B. Independent Investigation. You acknowledge that you have entered into this Agreement after making an independent investigation of our operations and not upon any representation as to gross revenues, volume, potential earnings or profits which you might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce you to accept this Franchise and sign this Agreement.

C. Receipt of Documents. Except for filling in the blank provisions and changes made as a result of negotiations that you initiated, you acknowledge that you received a copy of the complete Franchise Agreement, and exhibits attached hereto, at least seven (7) calendar days before the date on which this Agreement was executed. You further acknowledge that you received the disclosure document required by the trade regulation rule of the Federal Trade Commission entitled "Franchise Disclosure Document" at least fourteen (14) calendar days prior to the date on which this Agreement was executed. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with any attorney or other professional advisor. You further represent that you understand the provisions of this Agreement and agree to be bound.

D. Other Franchises. You acknowledge that other Hot Head Burritos® restaurants have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of such franchises may vary substantially from those contained in this Agreement.

The parties have signed this Agreement on the date stated in the first paragraph.

WE:

HOT HEAD FRANCHISING, LLC
an Ohio limited liability company

By _____
Its _____

YOU:

(If you are an individual owner,
You must sign below; if a partnership,
all partners must sign below)

(Sign Your Name)

(Print Your Name)

(Sign Your Name)

(Print Your Name)

(If you are a corporation or limited liability
company)

Name of corporation or limited liability
company

By _____
Its _____

**EXHIBIT A
TO FRANCHISE AGREEMENT**

RESTAURANT LOCATION AND PROTECTED TERRITORY

This Exhibit is attached to and is an integral part of the Hot Head Burritos® Franchise Agreement dated _____, 20____ (the "Franchise Agreement"), between us and you.

1. Restaurant Location. We and you agree that the Restaurant will be located at the following premises: _____

You acknowledge that our acceptance of a proposed location does not represent a warranty or representation of any kind as to the suitability of the proposed location for a Hot Head Burritos® Restaurant.

2. Protected Territory. Based on the Restaurant location, the Protected Territory will be one of the following:

- a. If the Restaurant is outside an Urban Area (as defined below), the Protected Territory will be a 2-mile radius surrounding the Restaurant.
- b. If the Restaurant is in an Urban Area, the Protected Territory will be a 1/2-mile radius surrounding the Restaurant.
- c. If the Restaurant is outside an Urban Area, but the 2-mile radius surrounding the Restaurant includes any Urban Area, the Protected Territory will not include that portion of the 2-mile radius which is within the Urban Area.

An "Urban Area" is generally defined as a geographic area consisting of a population of more than 250,000 people, as determined by us.

Based on the above, you and we agree that the Protected Territory is: _____ If applicable, see map attached hereto.

3. Restaurant Opening. You agree to complete the development and open the Restaurant for business within _____ months after the date first stated above.

4. Defined Terms. All capitalized terms contained in this Exhibit not defined herein will have the same meaning as provided in the Franchise Agreement.

WE:

HOT HEAD FRANCHISING, LLC
an Ohio limited liability company

By _____
Its _____

YOU:

(If you are an individual owner,
You must sign below; if a partnership,
all partners must sign below)

(Sign Your Name)

(Print Your Name)

(Sign Your Name)

(Print Your Name)

(If you are a corporation or limited liability
company)

Name of corporation or limited liability
company

By _____
Its _____

**EXHIBIT B
TO FRANCHISE AGREEMENT**

RESTAURANT LOCATION GENERAL AREA

This Exhibit is attached to and is an integral part of the Hot Head Burritos® Franchise Agreement dated _____, 20____ (the "Franchise Agreement"), between us and you.

1. Area for Restaurant Location. Within ninety (90) days after the date of the Franchise Agreement, you will select and obtain our acceptance of a location with the provisions of this Exhibit within the following described geographical area (the "Area"): _____

2. Acceptance of Location and Restaurant Opening. To obtain our acceptance of the proposed Restaurant premises, you must deliver to us a complete site report (containing information we require) for the location at which you propose to establish and operate the Restaurant and which you reasonably believe will satisfy the standardized site selection criteria established by us. The proposed location is subject to our prior written acceptance, which will not be unreasonably withheld. In evaluating the proposed location, we will consider matters we deem material, including demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses, including other Hot Head Burritos® restaurants, and other commercial characteristics, the purchase price or rental obligations and other lease terms for the proposed location, and the size of premises, appearance and other physical characteristics. Within thirty (30) days following our receipt of the complete site report and other materials we request, we will accept or reject (in writing) the location you propose for the Restaurant.

YOU ACKNOWLEDGE AND AGREE THAT OUR ACCEPTANCE OF A PROPOSED LOCATION DOES NOT REPRESENT A WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESSED OR IMPLIED, AS TO THE SUITABILITY OF THE PROPOSED LOCATION FOR A HOT HEAD BURRITOS RESTAURANT.

You agree to complete the development and open the Restaurant for business by _____.

3. Termination of Franchise Agreement. We have the right to terminate the Franchise Agreement, effective upon delivery of notice of termination to you, if you fail to obtain approval of a location for the Restaurant within ninety (90) days after the date of the Franchise Agreement.

4. Defined Terms. All capitalized terms contained in this Exhibit and not defined in this Exhibit will have the same meaning as provided in the Franchise Agreement.

WE:

HOT HEAD FRANCHISING, LLC
an Ohio limited liability company

By _____
Its _____

YOU:

(If you are an individual owner,
You must sign below; if a partnership,
all partners must sign below)

(Sign Your Name)

(Print Your Name)

(Sign Your Name)

(Print Your Name)

(If you are a corporation or limited liability
company)

Name of corporation or limited liability
company

By _____
Its _____

EXHIBIT C
TO FRANCHISE AGREEMENT
RESTAURANT LEASE ADDENDUM

ADDENDUM TO LEASE AGREEMENT

THIS ADDENDUM TO LEASE AGREEMENT (this "**Addendum**") is effective as of _____ (the "**Effective Date**") and is attached to and made a part of that certain Lease (the "**Lease**") by and between _____ ("**Landlord**") and _____ ("**Tenant**") for certain premises located at _____ (the "**Premises**").

1. **Incorporation into Lease.** This Addendum is incorporated into the Lease and supercedes any conflicting provisions in the Lease. In the event of any such contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease, the terms and provisions of this Addendum shall control. Capitalized terms not specifically defined in this Addendum shall be given the same meaning as defined in the Lease.

2. **Assignment Provisions.** Tenant shall have the right to assign the Lease or sublet the Premises, with Landlord's consent, which will not be unreasonably withheld, to Hot Head Franchising, LLC ("**HHF**"), its parents, subsidiaries or affiliates or to a duly authorized Hot Head Burritos® franchisee; provided that such assignment or sublease is subject to HHF's written agreement to accept such assignment or sublease. In the event of an assignment to HHF, HHF shall have the right to reassign the Lease, without charge and with Landlord's consent which will not be unreasonably withheld, to an authorized Hot Head Burritos® franchisee and to thereupon be released from any further liability under the Lease.

3. **Hot Head® Burritos Notice and Cure Rights.** Landlord agrees to give HHF written notice of any Tenant default under the Lease as a prerequisite to exercising any remedies against Tenant. Upon receipt of any such notice, HHF shall have the right, but not the obligation, to cure the Tenant's default, if the Tenant fails to do so, within fifteen (15) days after the expiration of the period in which the Tenant may cure the default under the Lease (but in no event shall HHF have less than thirty (30) days total to cure). HHF shall at all times have the right, but not the obligation, to perform any such acts on Tenant's behalf as may be necessary to keep the Lease in full force and effect. In the event HHF executes on its security interest in the Lease and Tenant's fixtures and equipment (pursuant to the terms of HHF Franchise Agreement with Tenant), such action shall not be deemed a default or assignment under the Lease. Notice to HHF shall be given by certified mail, return receipt requested, or by nationally recognized overnight courier service addressed as follows or to such other address as HHF may provide to Landlord from time to time:

Hot Head Franchising, LLC
2795 Culver Ave
Kettering, OH 45429
Attn: Ray Wiley

4. **No Radius/Relocation Clauses.** Any radius restrictions or involuntary relocation provisions found in the Lease are hereby deleted.

5. **Use Clause.** Tenant shall have the right to use the Premises for the purpose of operating a Hot Head® Burritos eat-in/take-out/delivery restaurant engaged in the sale of burritos, burritos in the bowl, tacos, nachos, quesadillas, fajitas, carnitas, guacamole, all kinds of chips and salsa, vegetarian products, salads, soups, cookies, and other products sold in Hot Head® Burritos restaurants now and in the future and other ancillary purposes associated therewith. The Premises shall include an adjacent outdoor eating area at no additional charge to Tenant, when available. Tenant shall be permitted to operate, or allow another concessionaire or licensee to operate, a co-brand food and beverage operation in or from the Premises in conjunction with Tenant's operation of its Hot Head® Burritos restaurant so long as not in conflict with any existing leases within the plaza. Said cotenant or concessionaire shall also be subject to the terms of the Lease and this Addendum. Tenant may make nonstructural alterations and improvements to the interior of the Premises of \$10,000 or less per alteration without Landlord's prior consent, provided the work is performed in a good and workmanlike manner. Tenant may close its business for up to thirty (30) consecutive days to refurbish and redecorate the Premises.

6. **Exclusive.** Throughout the Lease term, Tenant shall have the exclusive right in the Landlord's shopping center of which the Premises is a part to engage in the primary business of the sale of burritos, burritos in the bowl, tacos, nachos, quesadillas, fajitas, carnitas, guacamole, and chips and salsa, and Landlord shall not allow any other party in its shopping center to violate the terms or spirit of this Article 6. If a violation does occur, Landlord will immediately reduce the base rent otherwise due under the Lease by fifty percent (50%) until such time as the violation is cured. In addition to any other remedies Tenant may have at law or in equity, Tenant shall have the right prior to cure to terminate the Lease upon thirty (30) days written notice and upon any termination provided in this Article 6, all rent and other charges payable by Tenant under the Lease shall be prorated through such date of termination. In the event of Lease termination, Tenant will be entitled to a relocation fee in the sum of \$350,000 paid in full by the Landlord and all legal fees associated with the relocation will be paid in full by the Landlord upon demand from Tenant.

7. **Hot Head Burritos® Signage.** Landlord hereby grants and approves the following signage:

(i) **Opening Signage.** Subject to applicable zoning codes, rules, and regulations, Tenant shall have, during the period between the Lease execution date and sixty (60) days after the date Tenant opens for business to the public from the Premises, the right and a license to: (a) erect at least one single or double sided temporary sign in the landscaped common area adjoining the most heavily traveled right-of-way providing access to the Premises which sign shall say "Coming Soon – Hot Head Burritos®" or words similar thereto and (b) display "Coming Soon" or "Grand Opening" banners on or near the Premises; and

(ii) **Permanent Signage.** Landlord agrees to allow Tenant to install a The Hot Head Burritos® awning package and/ or the maximum Signage permitted by the applicable governmental authorities on the exterior of the Premises.

All signage and awnings shall be subject to Landlord's approval, which shall not be unreasonably withheld, conditioned, or delayed.

8. **Tenant Financing.** Tenant shall have the right from time to time enter into equipment leases covering portions of its improvements in the Premises or to secure financing or general credit lines and grant the lessors or lenders as security therefor: (i) a security interest in the improvements or equipment in the Premises, (ii) a leasehold mortgage, (iii) a collateral assignment of Tenant's interest in the Premises, or (iv) any combination thereof (collectively, a "**Leasehold Interest**"). Landlord acknowledges that Tenant may enter into such financing arrangements, and the rights granted under the Lease to the holders of a Leasehold Interest (collectively, a "**Leasehold Mortgagee**") are a material consideration and inducement for Tenant's entering into the Lease.

9. **Mitigation/Reasonableness.** Landlord shall use reasonable efforts to mitigate its damages in the event of Tenant default. Wherever either party to the Lease is required or requested to give its consent, such consent shall not be unreasonably withheld.

10. **Landlord Work and Repair.** All of Landlord's work required under the Lease shall be performed in a workmanlike manner with quality materials in compliance with all laws, codes and all regulations, and shall be warranted by Landlord to be free from defects for the first full twelve (12) months of the Lease term. The twelve (12) months warranty will start the first day the restaurant opens for business to the public. This warranty will include but not be limited to the Landlord's work portion relating to HVAC systems, plumbing, electric, sprinkler systems, fire alarm systems, bathrooms, store front, all exit doors, and all door locks. If Landlord's work is not performed as herein required, or if such work or the shopping center of which the Premises is a part does not comply with all laws, codes or other regulations, Landlord shall perform the necessary remedial work at its sole cost and expense. Landlord covenants and agrees, at its sole cost and expense and without reimbursement or contribution by Tenant, to keep, maintain and replace, as necessary, the foundations, the exterior paint, the plumbing system to the point of entry into the Premises, the electrical system to the point of entry into the Premises, the utility and sewer lines and connections to the Premises, structural systems including, without limitation, the roof, roof membrane, roof covering (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair, except in the event said damage is caused by Tenant or Tenant's employees or contractors. Utilities shall be stubbed to the Premises at no cost to Tenant. Landlord shall be responsible for the installation (and replacement if and when necessary) of an HVAC system properly sized for Tenant's restaurant, and Tenant shall be responsible for the maintenance and repair of same during the term of the Lease.

11. **Common Areas.** Landlord shall not change, use, allow the use of, or alter the common areas of the shopping center of which the Premises is a part in any manner which would (a) materially impair access to or the visibility of the Premises, (b) adversely affect the conduct

of Tenant's business in the Premises or (c) reduce the number of parking spaces which currently serve the building in which the Premises is located in a way that materially impairs Tenant's business from the Premises. The costs of capital improvements to the common areas (defined as any costs which, in accordance with generally accepted accounting principles, are not fully chargeable to current expenses in the year the expenditure is incurred), shall be excluded from the calculation of Tenant's common area maintenance pass through, if any, and shall not be charged to Tenant. Tenants pro rata share of any common area or similar charge shall be based upon the total leasable square footage in the shopping center of which the Premises is a part (including out-parcels). Upon Tenant's request, Landlord shall make available to Tenant and Tenant's agents, employees and accountants, and for inspection from time to time, not more than once per calendar year, Landlord's records of such common area expenses. Any audit conducted by Tenant shall be performed at Tenant's sole expense, unless the result of such audit establishes that Tenant has been overcharged by more than three percent (3%) of the amount that should have been charged, in which event Landlord shall pay for the reasonable and actual cost of such audit in addition to reimbursing Tenant the overcharged amount.

12. **Landlord Warranties.** Landlord represents covenants and warrants (i) that it has lawful title to the shopping center of which the Premises is a part and has full right, power and authority to enter into the Lease; (ii) that the shopping center of which the Premises is a part complies with the Americans with Disabilities Act ("ADA"); (iii) that the permitted "use" of the Premises does not currently violate the terms of any of Landlord's insurance policies; (iv) that Landlord currently maintains all risk of physical loss coverage for the full replacement cost of the shopping center of which the Premises is a part and shall maintain throughout the term of the Lease general liability insurance coverage for the shopping center of which the Premises is a part consistent with that being maintained from time to time by reasonably prudent owners of properties similar to the shopping center in the same area; and (v) that so long as Tenant pays all monetary obligations due under the Lease and performs all other covenants contained herein, Tenant shall peacefully and quietly have, hold, occupy and enjoy the Premises during the term of the Lease and its use and occupancy thereof shall not be disturbed. Landlord covenants and agrees that it shall take no action that will interfere with Tenant's intended usage of the Premises. Landlord shall indemnify and hold harmless Tenant and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (x) Landlord's operation of the shopping center of which the Premises is a part, (y) Landlord's breach in the performance of any of its obligations under the Lease or (z) any violation of law by Landlord or any other act or omission of Landlord or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of the Lease.

13. **Hazardous Materials.** Landlord represents and warrants that the Premises are free of all asbestos, asbestos containing materials and other hazardous or toxic materials (collectively, "Hazardous Materials"). Tenant shall have no obligation to make any repairs, alterations or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the shopping center of which the Premises is a part, the building in which the Premises is a part, or the Premises, other than those Hazardous Materials brought onto such areas by Tenant, Tenant's employees or contractors. Landlord shall be solely responsible for any changes to the Premises relating to Hazardous Materials (at Landlord's expense and not as a charge to Tenant's build out allowance), unless those Hazardous Materials

were brought onto the Premises by Tenant, Tenant's employees or contractors. Landlord shall indemnify and hold Tenant harmless from and against all liabilities, costs, damages and expenses which Tenant may incur (including reasonable attorneys' fees) as the result of a breach of Landlord's representation and warranty set forth in this Article 13 or the presence of Hazardous Materials in or about the shopping center of which the Premises is a part, the building in which the Premises is a part, or the Premises, unless those Hazardous Materials were brought onto such areas by Tenant, Tenant's employees or contractors.

14. **Insurance and Waiver of Subrogation.** Tenant may maintain the required liability insurance in the form of a blanket policy covering other locations of Tenant in addition to the Premises. Tenant may self-insure plate glass. As long as Tenant's respective insurers so permit, Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage and other property insurance policies existing for the benefit of the respective parties. Each party shall apply to their insurers to obtain said waivers. Each party shall obtain any special endorsements, if required by their insurer to evidence compliance with this provision.

15. **Casualty, Condemnation and Repair.** In the event the Premises are completely or partially damaged by fire or other casualty or are condemned by a governmental agency in whole or in part, or in the event Landlord undertakes repairs or other work in or around the Premises, such that the Premises cannot, in Tenant's reasonable business judgment, be used by Tenant for their intended purposes, or can only be partially used by Tenant and the Lease is not terminated as otherwise provided in the Lease, there shall be an equitable abatement of rent, any percentage rent and other charges payable by Tenant hereunder for any days the Tenant cannot use the entire Premises. Tenant may elect to terminate Lease upon ten (10) days written notice to Landlord: (1) at any time following such casualty, condemnation or commencement of repair activities, if the premises cannot reasonably be expected to be fully repaired or restored by Landlord within one hundred eighty (180) days after the date of the casualty, condemnation or other repair activity, or if (2) at any time following expiration of such one hundred eighty (180) day period, but prior to completion of such activities, if the casualty, condemnation or other repair activity has not been completed within such one hundred eighty (180) day period. Within fifteen (15) days following request therefore from Tenant, Landlord shall provide written notice to Tenant setting forth Landlord's good faith estimate of the time necessary to complete such repairs or restoration.

16. **Additional Provisions.**

(a) Landlord covenants and agrees that the total of all rental payments and any and all other sums, excluding the base rent, that Tenant is required to pay under the Lease (the "Occupancy Costs") will not exceed \$ _____ per square foot per annum (the "Occupancy Cap") during the first full calendar year of the Lease. Landlord agrees that tenant is not required to report sales data or pay percentage rent. In the event the actual Occupancy Costs during the first full calendar year exceed the Occupancy Cap, the amount of such overage shall be waived for the first year and treated as an expense stop thereafter (i.e., the amount of the overage shall be subtracted from the actual Occupancy Costs each year thereafter during the term of the Lease and any extensions thereof).

(b) Tenant reserves the right to terminate the Lease without penalty and to vacate the Premises without further liability under the Lease at any time during the six (6) month period following the end of the third full lease year upon ninety (90) days prior written notice to Landlord.

(c) Landlord and the Tenant will not cancel, terminate, modify or amend the Lease including, without limitation, HHF's rights under this Addendum, without HHF's prior written consent.

(d) The benefits of this Addendum inure to HHF and to its successor and assigns.

Intending to be bound, the Landlord and Tenant sign and deliver this Addendum effective on the Effective Date, regardless of the actual date of signature.

LANDLORD:

TENANT:

Address: _____

Address: _____

Phone: _____

Phone: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**EXHIBIT D
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain Franchise Agreement of even date (the "Agreement") by Hot Head Franchising, LLC ("we" or "us"), each of the undersigned (a "Guarantor") personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that _____ ("you") will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and the other Guarantors of you;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor; and

(6) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

GUARANTOR(S)

PERCENTAGE OWNERSHIP IN YOU

**EXHIBIT E
TO FRANCHISE AGREEMENT**

FORMS OF CONFIDENTIALITY AND NON-COMPETE AGREEMENT

Note to Franchisee:

This document is a form only for use with your Operating Manager and other managers, employees and agents with access to Confidential Information. You should consult with your attorney to ensure that the terms of this agreement are enforceable within your State.

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Agreement is made this _____ day of _____, 200____ between Hot Head Burritos® Store # _____ ("the Company") and _____ ("Prospective Employee").

INTRODUCTION:

The Company has extended an offer of employment to Prospective Employee, in a letter from the Company to Employee dated _____, 20____. Prospective Employee will not be considered to have accepted this offer until Prospective Employee has signed and returned this Agreement. The Company is permitted, under a Franchise Agreement with Hot Head Franchising, LLC (the "Franchisor"), dated _____, to use certain proprietary and confidential information of the Franchisor in operating a Hot Head Burritos® store (the "Unit"). In the course of employment, Prospective Employee will be made privy to certain confidential and proprietary information of the Company and of the Franchisor. Prospective Employee agrees that the Proprietary Information (as defined below) is a valuable, special and unique asset of the Company or of the Franchisor and that such information would not be disclosed to Prospective Employee unless Prospective Employee agrees to hold such information in strict confidence. In exchange for the Company's offer of employment, Prospective Employee agrees as provided herein to protect the Proprietary Information.

AGREEMENTS:

In consideration of the foregoing, the parties agree as follows:

1. Definitions.

A. The term "Business System" means the development and operation of restaurants selling a variety of Mexican food including burritos, tacos, nachos, quesadillas, salsas and related food and beverage products for the individual consumer using the distinctive goods, services and methods of operation which are associated with the mark "Hot Head Burritos®" and related trademarks, service marks, logos and commercial symbols. "Business System" includes all uniform requirements, standards of quality, procedures, specifications and instructions developed by the Franchisor.

B. The term "Proprietary Information" means any information of the Franchisor or the Company that Prospective Employee learns or develops during the course of Prospective Employee's employment with the Company that derives independent economic value from being not generally known or readily ascertainable by persons (other than Franchisor and its franchisees) who could obtain economic value from its disclosure or use. Proprietary Information includes information and knowledge that the Franchisor or the Company has developed and relating to the Business System; information disclosed in the Hot Head Burritos® Operations Manual and related manuals (collectively, the "Manuals"); information such as financial reports, financial projections, pricing guides and other business disclosures; customer-related information; financial arrangements, product needs and the identity of key personnel, vendor lists and financial information; and proposals. Proprietary Information does not include information that Prospective Employee can demonstrate came to his or her attention before disclosure

thereof by the Company or Franchisor or which, at the time of disclosure by the Company or Franchisor to Prospective Employee, had become a part of the public domain, through publication or communication by others.

2. Consideration. Prospective Employee understands and acknowledges that he/she has received an offer of employment from the Company in full consideration for the promises stated in this Agreement. Prospective Employee further understands and acknowledges that this Agreement is not a contract of employment and will not alter the at-will status of Prospective Employee's employment should he/she choose to accept the Company's offer.

3. Confidentiality. Prospective Employee acknowledges that the Company and the Franchisor would be irreparably harmed if Proprietary Information were disclosed to others or wrongfully used. Prospective Employee therefore agrees that: (i) Prospective Employee will treat as confidential all Proprietary Information which may be made or become available to Prospective Employee; and (ii) Prospective Employee will not, directly or indirectly, use, disclose, publish or reproduce any of the Proprietary Information for the benefit of anyone other than the Franchisor and the Company either during the course of Prospective Employee's employment with the Company, or at any time thereafter.

4. Return of Proprietary Information. Upon termination of Prospective Employee's employment at the Unit, Prospective Employee will return to the Franchisor or to the Company the originals and all copies of all documents, computer discs, and other property relating to the business of the Franchisor or the Company, including all manuals, records, business plans, financial information, customer lists, marketing plans, software, and all other tangible records of Proprietary Information.

**NOTE TO FRANCHISEE:
INCLUDE THE FOLLOWING SECTION 5 IF THE EMPLOYEE IS THE OPERATING
MANAGER OF THE UNIT**

5. Covenant Not to Compete. Prospective Employee will not, during the period in which he/she is employed by the Company, engage directly or indirectly, either personally or as an employee, associate, partner, manager, owner or agent in any other business (including any e-commerce or Internet-based business) that distributes, sells or otherwise deals in, at wholesale or retail, burritos, tacos, nachos, quesadillas, salsas, or other Mexican food products, and related food and beverage products, or any other related business that is competitive with or similar to a Hot Head Burritos® Unit (a "Competing Business"), except with the prior written consent of the Franchisor and the Company. In addition, Prospective Employee agrees that, for a period of one (1) year after his/her employment with the Company ends (whether Prospective Employee's employment terminates voluntarily or involuntarily):

A. Prospective Employee will not engage, either personally or as an employee, associate, partner, manager, owner or agent in any Competing Business which is located within a five (5) mile radius of any Hot Head Burritos® Unit.

B. Prospective Employee will, before accepting employment or beginning an independent contractor relationship with any person or entity, inform that person or entity of this Agreement and provide that person or entity with a copy of this Agreement.

C. Prospective Employee will not, directly or indirectly, employ or attempt to employ any of the Company's employees for any other entity competing with the Company.

**NOTE TO FRANCHISEE:
CHECK LOCAL LAW TO MAKE SURE THIS PROVISION IS
ENFORCEABLE IN YOUR STATE.**

6. Injunctive Relief. The parties agree that the Franchisor and the Company will not have an adequate remedy at law if Prospective Employee breaches or fails to perform any of the terms of the Agreement. The Franchisor or the Company will, therefore, have the right, in addition to any other remedy available, to obtain from any court of competent jurisdiction injunctive relief or a decree of specific performance, plus reimbursement for costs, including reasonable attorney's fees, incurred in the securing of such relief.

7. Miscellaneous. The parties acknowledge that Franchisor (and its assigns) are intended third party beneficiaries of this Agreement. The invalidity or unenforceability of any provision of this Agreement will not affect the invalidity or enforceability of any other provision of this Agreement. A waiver or consent given by Prospective Franchise or Company on any one occasion is effective only in that instance and will not be construed as a waiver of any right or any other occasion. This Agreement contains all of the understandings and agreements both written and oral, of the parties respecting the subject matter of this Agreement. All terms and provisions of the Agreement will be binding upon and benefit the parties, their respective representatives, heirs, successors and assigns, and will also be binding on each person, firm or other entity that is controlled by or otherwise affiliated with Prospective Employee. This Agreement will be governed by the laws of the State of _____.

PROSPECTIVE EMPLOYEE:

COMPANY:

By _____

By _____
Its _____

EXHIBIT C

LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS

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

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760

EXHIBIT D

**LIST OF FRANCHISEES
AND FORMER FRANCHISEES**

**LIST OF HOT HEAD BURRITOS®
FRANCHISED RESTAURANTS
AS OF DECEMBER 31, 2017**

FRANCHISEE NAME	STREET	CITY	ST	PHONE
JOHN WOOD ZA HUGHES BRIAN CRAWFORD*	101 EAST BROAD, 35901	GADSDEN	AL	334-887-9838
JOHN WOOD ZA HUGHES BRIAN CRAWFORD*	1619 OPELIKA ROAD, 36830	AUBURN	AL	334-887-9838
TOM YVON	209 ELLA GRASSO TURNPIKE	WINDSOR LOCKS	CT	860-623-4687
TIM WHEAT	2220 S. FERDON BLVD, 32536	CRESTVIEW	FL	850-398-8882
KEVIN KETRING	421 MARY ESTER BLVD	MARY ESTER	FL	850-226-4040
TIM WHEAT	2150 W.9 MILE RD	PENSACOLA	FL	850-332-6433
JASON GRUBB	5625 PEARL DR, 47712	EVANSVILLE	IN	812-437-5010
HEATHER & CHAD PENNINGTON	123 NATIONAL RD, 47374	RICHMOND	IN	765-488-2154
JOHN HARMON MIKE BRANDY	3340 MINEOLA PIKE	ERLANGER	KY	859-869-1573
JOHN HARMON MIKE BRANDY	280 MT ZION RD 41042	FLORENCE	KY	859-371-4688
JOHN HARMON MIKE BRANDY	3497 VALLEY PLAZA PKY, 41017	FT. WRIGHT	KY	859-331-0048
BRIAN ZAWACKI	94 CAROTHERS ROAD, 41071	NEWPORT	KY	859-581-2626
DON SPENCE	5450 MAHONING AVE	AUSTIN TOWN	OH	330-793-2000
PAM SOMMER	8179 PRINCETON GLENDALE RD	BECKETT RIDGE	OH	513-874-4688
STEVE COLLINS	1704 S. MAIN STREET	BELLEFONTAINE	OH	937-210-5765
DON SPENCE	362 BOARDMAN-POLLAND RD, 44512	BOARDMAN	OH	330-726-4100
DON SPENCE	1393 CANFIELD BOARDMAN RD	BOARDMAN	OH	330-953-3247
DON SPENCE	3465 CENTER RD, 44212	BRUNSWICK	OH	234-803-2255
JIM MILLER	1945 HAVEMANN, 45822	CELINA	OH	567-890-1122
FRANK BRANDY	6011 GLENWAY AVE	CINCINNATI	OH	513-347-0130
MATT CURTIS	6619 EAST BROAD STREET	COLUMBUS	OH	740-927-3578
MATT CURTIS/TIM TEFS	1509 HILLARD ROME RD	COLUMBUS	OH	614-870-3535
ROBERT MCCrackin	8325 NORTH HIGH STREET	COLUMBUS	OH	614-468-1928
PAM SOMMER	1629 N. BARRON ST, 45320	EATON	OH	937-456-5684
KEVIN FOLEY	1171 E. DAYTON YELLOW SPRING	FAIRBORN	OH	937-878-8226
KEVIN & ZACH KETRING	690 NILES ROAD	FAIRFIELD	OH	513-858-4323
RON DUSCHL	2025 TIFFIN AVE, 45840	FINDLAY	OH	419-429-0969
JIM & BRENDA PIERSON	2369 DAYTON PIKE, 45327	GERMANTOWN	OH	937-855-2646
ROB NISCHWITZ	3875 MASSILLON ROAD, 44685	GREEN	OH	330-578-9029
JIM MILLER	1324 WAGNER AVE, 45331	GREENVILLE	OH	937-548-1060
ROBERT MCCrackin	3793 S. HAMILTON AVE, 43125	GROVEPORT	OH	614-567-6796
KEVIN KETRING	1384 MAIN STREET, 45013	HAMILTON	OH	513-868-8100
TONY GHILONI	790 S. 30 TH STREET	HEATH	OH	740-522-4424
ROSS WILEY	1510 S. MC CORD RD, 43528	HOLLAND	OH	419-491-0094
KEVIN & ZACH KETRING	6862 LIBERTY PLAZA DR, 45044	LIBERTY TWP	OH	513-755-2900
BRAD ELMORE	6064 S STATE RT 48, 45309	MAINEVILLE	OH	513-480-0808
ROB NISCHWITZ	2000 LINCOLNWAY EAST	MASSILLON	OH	330-809-6010
ROB NISCHWITZ	1245 SOM CENTER RD, 44124	MAYFIELD HEIGHTS	OH	440-646-9500
KEVIN & ZACH KETRING	3585 SOUTH DIXIE HWY, 45005	MIDDLETOWN	OH	513-217-7242
BRIAN ZAWACKI	5976 MEIJER DR, 45150	MILFORD	OH	513-831-8999
JIM & BRENDA PIERSON	5662 SPRINGBORO PIKE, 45459	MORaine	OH	937-299-4445
DON SPENCE	5655 YOUNGSTOWN WARREN RD,	NILES	OH	330-505-8188

FRANCHISEE NAME	STREET	CITY	ST	PHONE
	44446			
TONY GHILONI	480 EAST BROAD, 43062	PATASKALA	OH	740-927-3578
ROSS WILEY	104 EAST S. BOUNDARY ST, 43551	PERRYSBURG	OH	419-872-2072
ROBERT MC CRACKEN	1111 NORTH HILL ROAD	PICKERINGTON	OH	614-694-4793
ED & KYLE NEWSOME	929 CHILLICOTHE ST, 45662	PORTSMOUTH	OH	740-529-1871
PAM SOMMER	3825 KRAUS LANE, 45014	ROSS	OH	513-717-4241
PAM SOMMER	2028 W. MICHIGAN STREET	SIDNEY	OH	937-658-6040
JIM & BRENDA PIERSON	226 W. CENTRAL AVE, 45065	SPRINGBORO	OH	937-748-3388
STEPHEN COLLINS	3459 EAST NATIONAL RD, 45505	SPRINGFIELD	OH	937-327-9077
RON DUSCHL	6600 W. SYLVANIA AVE SUITE 1H, 43560	SYLVANIA	OH	419-517-2199
DON SPENCE	1345 PEARL RD, 44136	STRONGSVILLE	OH	440-268-8588
PAM SOMMER	968 W. MAIN STREET, 45371	TIPP CITY	OH	937-667-0030
PAM SOMMER	1287 S. DORSET RD, 45373	TROY	OH	937-552-7741
PAM SOMMER	116 EAST NATIONAL ROAD	VANDALIA	OH	937-387-6663
DON SPENCE	5655 YOUNGSTOWN WARREN RD	WARREN	OH	330-505-8188
ED NEWSOME	10954 U.S. 23, SUITE 10	WAVERLY	OH	740-529-1871
MATT CURTIS/TIM TEFS	5961 SUNBURY RD, 43061	WESTERVILLE	OH	614-794-4374
PAMELA VONBERGEN	315 ELM STREET	YOUNGSTOWN	OH	330-480-0847
BOB PAISLEY	3217 A MAPLE AVE, 43701	ZANESVILLE	OH	740-404-3046
DON SPENCE	3362 EAST STATE STREET, 16148	HERMITAGE	PA	724-979-4763
JOE GUNN*	2724 WEST STATE STREET	NEW CASTLE	PA	740-835-8727

* Franchise Agreement Signed but Restaurant Not Open as of December 31, 2017.

**LIST OF FORMER FRANCHISEES
AS OF DECEMBER 31, 2017***

STATE	OWNER	CITY AND STATE	TELEPHONE NUMBER
MI	Shawn Snyder David Kiracofe	Novi, MI	734-812-7993
NV	Kevin Schuber	Henderson, NV	702-410-5030
NV	Kevin Schuber	Las Vegas, NV	702-410-5030
OH	Dave Flora	London, OH	740-490-7310
OH	Chuck Salmon	Perrysburg, OH	419-491-0094
OH	Chuck Salmon	Holland, OH	419-491-0094
OH	Cynde Wiley	Cincinnati, OH	937-427-0787
OH	Cynde Wiley	Beckett Ridge, OH	937-427-0787

*Above is the name and last known city, state and business telephone number (or, if unknown, home telephone number) of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us since within the 10 weeks prior to the issuance date of this disclosure document.

EXHIBIT E

DISCLOSURE ACKNOWLEDGMENT AGREEMENT

**DISCLOSURE
ACKNOWLEDGMENT AGREEMENT**

Applicant _____
(If corporation) State of Incorporation _____
Address of Applicant _____
Location (Territory) Applied For _____

- A. I have received all appropriate disclosure documents for the State(s) of _____ at least fourteen (14) calendar days, exclusive of the day I received them and the day I signed them, before signing the Franchise Agreement and/or payment of any monies.
- B. I have signed and returned to Hot Head Franchising, LLC (you or your) the acknowledgment of receipt for each disclosure document given me.
- C. I have had an opportunity to read the Franchise Agreement thoroughly and understand all of your covenants and obligations and my obligations as a franchisee of the Hot Head Burritos® system. I understand that the Franchise Agreement contains all obligations of the parties and that you do not grant to me under the Franchise Agreement any right of first refusal.
- D. I understand that this franchised business, as in all business ventures, involves risk and, despite assistance and support programs, the success of my business will depend largely upon me and my ability.
- E. Except for fill in the blank provisions or for negotiated changes that I initiated, I received a copy of the revised Franchise Agreement or related agreement at least seven (7) calendar days before the date on which the Franchise Agreement or related agreement was signed.
- F. I understand that you have or may establish a national marketing and promotional program which is not directed towards any specific franchise territory but is intended to benefit the entire Hot Head Burritos® system nationwide. I further understand that amounts from the national marketing and promotional fund (if established) will be used to offset any in-house expenses you incur in providing marketing services, media planning, and network marketing support.
- G. I have had no promises, guarantees or assurances made to me and no information provided to me relative to earnings, revenues, profits, expenses or projected revenues for this franchise, except as disclosed in the disclosure document. If I believe that I have received any such promises, guarantees, assurances or information, I agree to describe it below (otherwise write "None").

Applicants' Acknowledgment:

Name: _____
Date: _____

Name: _____
Date: _____

EXHIBIT F
STATE SPECIFIC APPENDIX

**ILLINOIS ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

This Addendum relates to franchises sold in Illinois and is intended to comply with Illinois statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

- Venue. Section 20(D) of the Franchise Agreement is deleted.
- Governing Law. Section 20(E) of the Franchise Agreement is amended to provide that any provision that designates governing law to be other than Illinois is void under the Illinois Franchise Disclosure Act of 1987 (the "Act").
- Limitation of Actions. Section 20(L) of the Franchise Agreement is amended to provide that you will have the time periods of limitation allowed by the Act in Section 705/27, which states:

No action shall be maintained under Section 26 of this Act to enforce any liability created by this Act unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of one year after the franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by this Act, or 90 days after delivery to the franchisee of a written notice disclosing the violation, whichever shall first expire. No cause of action barred under existing law on the effective date of this Act shall be revived by this Act. Every cause of action under this Act survives the death of any person who might have been a plaintiff or defendant.

- Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

WE:
HOT HEAD FRANCHISING, LLC

By _____
Its _____

YOU:

By _____

By _____

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure:

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.

Payment of all initial fees is deferred until such time as we complete our initial obligations and you are open for business.

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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.

Payment of all initial fees is deferred until such time as we complete our initial obligations and you are open for business.

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.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

WE:
HOT HEAD FRANCHISING, LLC

By _____
Its _____

YOU:

By _____

By _____

EXHIBIT G
AREA DEVELOPERS

AREA DEVELOPERS

Owner/Entity and Phone Number	Territory	Business Experience
Michael Brandy/JH Burrito Development (859) 292-8040 John Harmon/JH Burrito Development, LLC (859) 250-1110	States of Kentucky, Indiana, North Carolina, South Carolina, Tennessee and Ohio counties of Butler, Clermont, Gallatin, Hamilton, Mason, Robertson and Warren	Michael Brandy has been our Area Developer since December 2011. Mr. Brandy has been our Director as of January 2014. He has also acted as a Manager of MB Burrito Company, LLC as of January 2014. Mr. Brandy has served as the President of Brandicorp LLC in Bellevue, Kentucky, since October 1984. John Harmon has been our Area Developer since December 2011. Mr. Harmon has served as Area Developer for JH Burrito LLC since April 2010.
Matthew Curtis (937) 581-1620 Timothy E. Tefs (513) 602-3948	Ohio counties of Adams, Brown, Clinton, Crawford, Defiance, Delaware, Erie, Fairfield, Fayette, Franklin, Fulton, Hancock, Henry, Highland, Huron, Lucas, Madison, Marion, Ottawa, Paulding, Pickaway, Pike, Putnam, Ross, Sandusky, Seneca, Scioto, Union, Williams, Wood and Wyandot and Michigan counties of Genessee, Jackson, Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw and Wayne	Matthew Curtis has been our Area Developer since January 2011. Mr. Curtis has been self-employed in Beaver Creek, Ohio, as an Area Developer since April 2011. Mr. Curtis has also been a General Contractor in Beavercreek, Ohio, since April 2009, and the owner of Artisan Construction Services in Beavercreek, Ohio since 2002. Mr. Curtis has been Secretary of Rapid Fired Pizza Franchising, LLC, since October 2015 and the Secretary of its affiliate, Rapid Fired One, LLC, that operates the Rapid Fired Pizza located in the greater Dayton, Ohio, area, since March 2015. Timothy E. Tefs has been our Area Developer since January 2011. Mr. Tefs has served as the President of Cincinnati Sub Company Inc. in Cincinnati, Ohio, since June 1990. Mr. Tefs has been Treasurer of Rapid Fired Pizza Franchising, LLC located in Dayton, Ohio, since September 2015 and the Treasurer of its affiliate, Rapid Fired One, LLC, that operates the Rapid Fired Pizza located in Dayton, Ohio, since September 2015.
Tony Ghiloni (740) 739-1355	Ohio counties of Ashland, Athens, Belmont, Brooke, Carroll, Cashocon, Gallia, Guernsey, Hancock, Harrison, Hocking, Holmes, Jackson, Jefferson, Knox, Lawrence, Licking, Marshall, Meigs, Monongalia, Monroe, Morgan, Morrow, Muskingum, Noble, Perry, Pleasants, Preston, Richland, Tyler, Tuscarawas, Vinton, Washington, Wayne, Wetzel and Wood and West Virginia counties of Cabell, Kanawha, Mason, Putnam, and Wayne	Tony Ghiloni has been our Area Developer since November 2011. Mr. Ghiloni has served as the President of T. G. Subs, Inc. in Heath, Ohio since April 1992.

Owner/Entity and Phone Number	Territory	Business Experience
Kevin Ketring (513) 319-3549 Zachery Ketring (513) 312-6909	Florida counties of Alachua, Baker, Bay, Bradford, Brevard, Calhoun, citrus, Clay, Columbia, Dixie, Duval, Escambia, Flagler, Franklin, Gadsden, Gilchrist, Gulf, Hamilton, Hernando, Hillsborough, Holmes, Indian River, Jackson, Jefferson, Lafayette, Lake, Leon, Levy, Liberty, Madison, Marion, Nasa, Oakaloosa, Osceola, Orange, Pasco, Pinellas, Putnam, Santirosa, Seminole, St. Johns, Sumter, Suwanee, Taylor, Union, Volusia, Wakulla, Walton and Washington	Kevin Ketring has been our Area Developer since November 2010. Mr. Ketring was a self-employed veterinarian at College Hill Animal Hospital in Cincinnati, Ohio, from 1983 until November 2010. Zachery Ketring has been our Area Developer since April 2013. Mr. Ketring has served as a Member/Manager of Florida Burrito Investments, LLC since April 2013. Mr. Ketring has served as a Member/Manager for HH Martin Investments, LLC since July 2012. Mr. Ketring has served as a Member/Manager for HHFD Martin Investments, LLC since January 2012. Mr. Ketring has served as a Member/Manager for HHFE Martin Investments, LLC since July 2011. Mr. Ketring has served as a Member/Manager for HHM Martin Investments, LLC since March 2011. Mr. Ketring has also served as a Member/Manager for HHL Martin Investments, LLC since November 2010. Mr. Ketring was a Medical Coordinator at Children's Hospital in Cincinnati, Ohio, from 2008 until November 2010.
Rick Mills/SMS Development Group (330) 469-9401 Brian Spence/SMS Development Group (330) 469-9401 Donald Spence/SMS Development Group (330) 469-9401	Ohio counties of Ashtabula, Columbiana, Cuyahoga, Geauga, Lake, Lorain, Portage, Medina, Mohoning, Stark, Summit and Trumbull and the Pennsylvania counties of Allegheny, Beaver, Butler, Crawford, Erie, Lawrence and Mercer	Rick Mills has been our Area Developer since January 2011. Mr. Mills has served as the Co-Owner of SMS Development Group, LLC in Ohio, since January 2011. Mr. Mills has also served as the Owner of Progressive Sales Associates in Ohio from January 1990 to January 2011. Brian Spence has been our Area Developer since January 2011. Mr. Spence has served as an Area Developer for SMS Development Group, LLC in Niles, Ohio, since January 2011. Mr. Spence was a self-employed sales associate for IT software and fax machines in Ohio from 2009 to January 2011. Donald Spence has been our Area Developer since January 2011. Mr. Spence has served as an Area Developer for SMS Development Group, LLC in Niles, Ohio, since January 2011. Mr. Spence was retired from January 2000 to January 2011.

None of the individuals listed above have any litigation required to be disclosed in Item 3 or any bankruptcy information required to be disclosed in Item 4.

EXHIBIT H

RECEIPTS

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 Hot Head Franchising, LLC ("HHF") offers you a franchise, HHF must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, HHF or its affiliate in connection with the proposed franchise sale.

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

Issuance Date: April 30, 2018

The franchisor is Hot Head Franchising, LLC, located at 2795 Culver Ave, Kettering, Ohio 45429. Its telephone number is (937) 545-4408.

HHF's franchise seller involved in offering and selling the franchise is Ray Wiley, 2795 Culver Ave, Kettering, Ohio 45429, (937) 545-4408 or is listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement: _____

HHF authorizes the respective state agencies identified on **Exhibit C** to receive service of process for HHF in the particular state.

I have received a disclosure document with an issuance date of April 30, 2018, that included the following Exhibits:

- | | |
|---|--|
| A. Financial Statements | E. Disclosure Acknowledgment Agreement |
| B. Franchise Agreement (and Exhibits) | F. State Specific Appendix |
| C. List of State Administrators/Agents for Service of Process | G. Area Developers |
| D. Franchisee List | H. Receipts |

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____

Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Copy for Franchisee

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Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____

Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Ray Wiley by email to ray@hotheadburritos.com or by fax to (937) 372-2603.

Copy for Hot Head Franchising, LLC