FRANCHISE DISCLOSURE DOCUMENT
AD FDD

Hot Head Franchising, LLC
An Ohio limited liability company
2795 Culver Ave
Kettering, Ohio 45429
(937) 979-1748
www.hotheadburritos.com
Office@HotHeadBurritos.com

Hot Head Franchising, LLC offers area developer franchises to assist us in the offer of franchises for, and to develop, support and provide services to, Hot Head Burritos® restaurants in a certain geographic area.

The total investment necessary to begin operation of an area developer franchise is from $55,000 to $216,500. This includes $28,500 to $103,500 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) 979-1748.

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, 2024

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit C

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Ohio. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Ohio than in your own state.

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

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

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.

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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.

TABLE OF CONTENTS

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) 979-1748. Our agents for service of process are disclosed in Exhibit C.

Our Business Experience

We sell area developer franchises to assist us in the offer of franchises for, and to develop, support, and provide services to, Hot Head Burritos® restaurants (the "AD Business"). We also 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") under a different disclosure document ("Restaurant FDD"). Certain franchisees received rights similar to those offered under Area Developer Agreements. We have offered franchises for AD Businesses since June 2011 and for Hot Head Burritos® Restaurants since November 2009. Other than franchises for the operation of Hot Head Burritos® Restaurants, we have not conducted business or offered franchises in any other line of business. Under certain Items in this disclosure document (e.g., Item 19), we refer to "outlet" instead of "AD Business" only because the Federal Trade Commission requires the use of the term "outlet" in response to certain items.

The Hot Head Burritos® Restaurant concept was created in December 2006 by Ray and Cynthia Wiley. A Little Bit More, LLC, an Ohio limited liability company, then-controlled by the Wileys, opened the first Restaurant in March 2007. As of December 31, 2023, Ray Wiley, through companies he controls, owns 12 Restaurants in the greater Dayton, Ohio, area. These 12 Restaurants are affiliate-owned and are not franchised outlets.

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

Franchise Offered

You will sign an "Area Developer Agreement" to receive the right to own and operate an AD Business in a specific geographic area (the "Territory") using confidential information, business techniques, methods and procedures, sales promotional programs and the "Marks" (as defined in Item 13), including the Mark "Hot Head Burritos" to establish, operate and promote Restaurants (collectively, the "System").

Under the Area Developer Agreement, you will (1) solicit prospective franchisees for Restaurants to be located in the Territory ("Sales Services"); (2) perform certain site acquisition and development services ("Site Services"); (3) provide support and other services ("Support Services") to Restaurants located within the Territory as described in the Area Developer Agreement; and (4) at our discretion, operate a food truck (the "Food Truck") within the Territory. In exchange for these services, we will pay you commissions equal to a percentage of fees we collect from Restaurants in your Territory, including a percentage of initial franchise fees and royalty fees, provided that you meet certain obligations, as described in the Area Developer Agreement. For Restaurants developed in Captive Market Locations, you may not receive Royalty Fee commissions, but you may receive other commissions. (See Item 11).

As a condition to maintaining your AD Business, you must satisfy a certain development quota during the term of the Area Developer Agreement (see Item 12). In addition, your "Principal Owners" (those who directly or indirectly own a 10% or greater interest in you as the franchisee entity) must establish a single purpose entity that will directly own and operate Restaurants in the Territory (the "Operating Entity"). The Operating Entity must enter into a Hot Head Burritos® franchise agreement before or concurrent with the Area Development Agreement. The Hot Head Burritos® franchise agreement is contained in the Restaurant FDD that will be, and must be, provided to the Operating Entity. The Operating Entity must open its initial Restaurant within 6 months after signing the Area Development Agreement (if it already has not done so) and thereafter operate at least one Restaurant in the Territory at all times during the balance of the term of the Area Development Agreement. The Operating Entity will sign our then-current Hot Head Burritos® franchise agreement for each Restaurant it develops, as described in the Restaurant FDD. The estimated initial investment to develop a Restaurant ranges from $214,100 to $694,850 as described in the Restaurant FDD.

Area developers are not authorized, and Sales Services do not include the right, to approve prospects as Hot Head Burritos® franchisees, or negotiate or sign franchise agreements on our behalf. While we rely on you to present us with those applicants whom you pre-qualify using our criteria, we will make the final decision on whether we will sell a Hot Head Burritos® franchise to the candidates you present. If we approve the candidate, the candidate will sign a Hot Head Burritos® franchise agreement with us, and you will not be a party to that contract. However, as our agent, you will provide a variety of Site Services and Support Services to Hot Head Burritos® franchisees in your Territory.

<u>Market, Competition, Laws and Regulations</u>

Your competition is well developed and will include other franchisors and franchise brokers seeking prospective franchisees for franchise opportunities.

Both the Federal Trade Commission and many states regulate the sale of franchises and the relationship between franchisors and franchisees. You must comply with these laws when you act as our agent in soliciting prospective franchisees in your Territory and in providing initial and ongoing Sales Services, Site Services and Support Services. You may not, for instance, solicit prospective Hot Head Burritos® franchisees that reside in or desire to establish a Restaurant in any state that requires the registration of disclosure documents, unless we have a currently effective registration in that state. If we ask you to help us with the disclosure obligations under state and federal as part of your Sales Services, you must comply with the timing requirements of the Federal

Trade Commission and applicable state law when providing our disclosure document to prospective franchisees.

Several state franchise disclosure and registration laws regard you to be our franchise broker in the Territory to which you are appointed. As a result, you must, at your expense, comply with those state laws, register as our franchise broker and provide us with proof of that registration if the laws in your Territory require broker registration. We will provide you with our current disclosure document and all amendments for you to use in soliciting prospective Hot Head Burritos® franchisees in your Territory. You must notify us immediately of any material changes in the information that you give to us so we can comply with franchise disclosure laws.

If your activities as our area developer require you separately to register in your Territory as a subfranchisor, we will prepare the necessary documents (including disclosure documents similar to this disclosure document) and submit the relevant filings and you must pay for all costs arising from your obligations under the Area Developer Agreement. Despite the way certain laws and regulations may regard your role as an area developer, you are not authorized as our area developer to offer or sell franchises for us, approve prospective franchisees, or negotiate or sign franchise agreements on our behalf.

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 AD Business, including employment, workers' compensation, corporate, tax, licensing and similar laws and regulations.. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in operating your AD Business and should consider both their effect and the 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. From September 2020 to May 2022, Mr. Wiley served as the President of Raygray, LLC in Ketering, Ohio. Mr. Wiley served as our President from August 2009 until December 2013. 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 of M.C.R.L., LLC since June 2008; and Vice President of WD HHB Cleveland, LLC since April 2021. These companies own Hot Head Burritos® Restaurants in the greater Cleveland, Dayton and Cincinnati, Ohio areas. Mr. Wiley has served as the Vice President and Secretary of Three Bros, LLC, a Hot Head Burritos® area development group, since April 2021. From October 2015 until March 2022, Mr. Wiley also served as the President of Rapid Fired Pizza Franchising, LLC and QSR Pizza, LLC in Kettering, Ohio. From October 2015 to January 2022, Mr. Wiley served as Vice President of Green Pizza, LLC in Greenville, Ohio. And from October 2015 to September 2021, Mr. Wiley served as the President of Rapid Fired One, LLC, in Kettering, Ohio.

Vice-President, Kelly Gray

Kelly Gray has been an owner since our August 2017 and our Vice-President since November 15, 2019. Ms. Gray was previously our Secretary, and held that position from August 2017 until November 2019. Ms. Gray is also an owner and the Vice President of Mr. Burrito, LLC and M.C.R.L., LLC, positions she has held since August 2017. From September 2020 to May 2022, Ms. Gray served as the Vice President of Raygray, LLC in Ketering, Ohio. Ms. Gray served as the Secretary for RF Pizza, LLC in Kettering, Ohio from August 2017 to March 2022. Ms. Gray served as the Secretary and Treasurer for QSR Pizza, LLC in Kettering, Ohio from March 2017 to March 2022. Ms. Gray was also Vice President of Rapid Fired Pizza Franchising, LLC in Kettering, Ohio from October 2015 until March 2022, the Vice President of Rapid Fired One, LLC in Kettering, Ohio from March 2015 to September 2021, and the President of Green Pizza, LLC in the Greenville, Ohio area from June 2016 to January 2022.

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 our affiliate-owned Restaurants in the Dayton, Ohio area.

ITEM 3

LITIGATION

Hot Head Franchising, LLC, et al. v. George Hanna, et al., No. 23CVI03011 (Mun. Ct. of Kettering, OH, Small Claims Division, filed July 6, 2023). We filed suit against a former franchisee located in Ohio after the former franchisee failed to pay us outstanding fees pursuant to the terms of a mutual termination agreement and refused to pay other outstanding credit card charges. On February 20, 2024 the Municipal Court of Kettering, Ohio entered judgment in our favor, awarding us $5,652.42 with interest.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

We and you will negotiate the Initial Territory Fee. The "Initial Territory Fee" for an AD Business will range from $25,000 to $100,000 or more, but will vary widely and will be calculated based on a number of factors. These factors will primarily consider the size and population of the Territory, but also may include the number of Restaurants to be developed, the number of existing Restaurants (if any) in the Territory, and the market for the products offered in the Restaurant. In addition, in certain circumstances, we may offer you a higher Sales Services Commission and Site Services Commission (as described in Item 11) for a certain number of Restaurants in your

Territory as part of the sale. If you are an honorably discharged veteran who meets our qualifications for an area developer, we will discount the Initial Territory Fee by 25%.

We estimate that the Initial Territory Fee of $25,000 would have a Territory with approximately 250,000 to 500,000 people and that the Initial Territory Fee of $100,000 would have a Territory with approximately 1,000,000 to 4,000,000 people. The Initial Territory Fee is paid to us when you sign the Area Developer Agreement and is not refundable under any circumstances.

In addition, your Principal Owners must establish an Operating Entity, which must enter into a Hot Head Burritos® franchise agreement before or concurrent with the Area Development Agreement, as described in Item 1. The Hot Head Burritos® franchise agreement is contained in the Restaurant FDD, which describes the initial fees associated with the Operating Entity's Hot Head Burritos® franchise agreement.

At the time you sign the Area Developer Agreement, you will pay to us an "Advertising Deposit" of $3,500. The Advertising Deposit will be used to develop and conduct national, regional, and local advertising, marketing, promotional and public relations campaigns and to provide other marketing and advertising support as we determine necessary in our sole discretion. The Advertising Deposit is not refundable.

When you apply for an AD Business franchise, we may require you to deposit up to $5,000 before we offer you an AD Business franchise or negotiate the Area Developer Agreement (the "Deposit"). If we decide not to offer you an AD Business franchise, we will refund the Deposit to you. If we offer you an AD Business franchise and you sign an Area Developer Agreement, the Deposit will be applied towards your Initial Territory Fee. If we offer you an AD Business franchise and you elect not to sign an Area Developer Agreement, we are not required to refund the Deposit.

ITEM 6

OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Advertising Materials	50% of all costs we incur to print advertising and marketing materials or to participate in any trade shows we approve, may range from approximately $1,000 to $10,000 each year	As incurred	We and you will share equally in the costs we incur to print advertising or marketing materials or the cost for participation in trade shows in your Territory
Local Advertising	$1,000 per calendar month	As incurred	You must spend at least $1,000 per calendar month on approved advertising to solicit prospective franchisees
Transfer Fee	$10,000 We may also require you to reimburse our legal fees incurred to process the transfer.	Before completion of transfer	You pay this fee when the Area Developer Agreement or a substantial portion of the assets of the AD Business or any controlling interest in you is transferred.

Type of Fee	**Amount** (See Note 1)	Due Date	Remarks
Renewal Fee	$5,000	At least 60 days before renewal of Area Developer Agreement	
Opening Team Workers	50% of Site Services commission	As incurred	If you cannot provide two opening team workers at each new franchised Restaurant opening in the Territory, we may provide one or more of these workers, but the Site Services commission will be reduced by 50%.
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.
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.
Operating Assistance	Currently $500 per day	When incurred	We may provide you with additional operating assistance, upon request, for a fee.
Preparation of Franchise Filings	Our costs to prepare any additional filings or registrations, we estimate that it will range from $1,000 to $5,000.	When incurred	See Note 2.

Notes:

(1) Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed.

(2) If your activities under the Area Developer Agreement require that we prepare, amend, register or file information or any disclosure or other documents, we will prepare those documents and filings but you must pay us or our designee for those costs arising from your obligations under the Area Developer Agreement such as disclosures respecting you and franchise seller forms if required under applicable law. In addition, you may be required to prepare audited financial statements and pay an accountant for those statements.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Category of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is Made
Initial Territory Fee (1)	$25,000 to $105,000	Lump Sum	Upon Signing	Us
Advertising Deposit (2)	$3,500	Lumps Sum	Upon Signing	Us
Vehicle Lease/Purchase (3)	$15,000 to $50,000	As Arranged	As Arranged	Third Party Supplier
Computer Hardware (4)	$1,000 to $5,500	As Arranged	As Arranged	Third Party Supplier
Computer Software (5)	$500 to $2,500	As Arranged	As Arranged	Third Party Supplier
Miscellaneous and Additional Funds (covers first 3 months) (6)	$10,000 to $50,000	As Arranged	As Arranged	Miscellaneous Third Parties
TOTAL(7)(8)	$55,000 to $216,500			

Notes:

* Except where otherwise noted, we do not offer direct or indirect financing to franchisees for any items. Except where otherwise noted, all amounts that you pay to us or our affiliates are nonrefundable. Third party suppliers will decide if payments to them are refundable.

(1) Initial Territory Fee. The Initial Territory Fee is based primarily on the population of your Area Developer Territory. When you apply to become an area developer, we may require you to pay a deposit of $5,000 that will be applied to the Initial Territory Fee if you sign the Area Developer Agreement. You pay us the Deposit and Initial Territory Fee as described in Item 5.

(2) Advertising Deposit. When you sign the Area Developer Agreement, you will also pay us an Advertising Deposit. You pay us the Advertising Deposit as described in Item 5.

(3) Vehicle Lease/Purchase. You will need to purchase or lease a vehicle for use in the operation of your AD Business. We currently do not require that the vehicle you use meet any specific criteria, although it must operate reliably enough so you can perform your obligations under the Area Developer Agreement, such as visiting Restaurant franchises and performing site services. We have the right, however, to establish in the future specific criteria for the vehicle you use in the operation of your AD Business. You may use a vehicle that you already own, provided it meets our then-current criteria. The cost of your investment in a vehicle will vary depending on your current assets, the cost of leasing and purchasing vehicles in your area, and the vehicle you choose.

(4) Hardware Costs. You will need a computer for the operation of your AD Business, as further described in Item 11. If you already own a laptop computer, you may use it in the operation of your AD Business. The cost of your investment in computer hardware will vary depending on your current assets, the cost of computer hardware in your area, and the specific equipment you choose. As of the issuance date of this disclosure document, we do not currently require the use of a tablet in your AD Business, but we may require the use of a tablet as a required component of the computer system in the future. We expect

that a tablet meeting our required specifications will cost approximately $500, which is included in the range above.

(5) Software Costs. You will need to purchase computer software for your AD Business as further described in Item 11. The cost of your investment in computer software will vary depending on your current assets, the cost of software in your area, and the specific software you choose.

(6) Miscellaneous and Additional Funds. We do not require that you rent commercial office space, nor do we impose specifications for office decoration, fixtures, business equipment, minimum number of employees or otherwise. You may locate your administrative office for the AD Business in your home. We expect, however, that you will incur miscellaneous expenses in establishing your AD Business. This chart reflects our estimate of your miscellaneous expenses for the first 3 months after you sign the Area Developer Agreement. The chart assumes you do not incur any real estate leasing costs, but allows for the lease or purchase of home office furniture (we do not impose any specifications and leave this to your judgment); required expenditures such as a facsimile machine, telephone line, business cards and stationery; insurance; travel costs for initial training and site development work in your Territory; legal and professional expenses to acquire the franchise and form a business entity to own the AD Business; and advertising expenditures during your first 3 months of operation.

(7) Total. This total is an estimate of your pre-opening initial investment and the expenses you will incur during the first 3 months of AD Business operations. This total is based on our estimate of regional (Midwest) average costs and prevailing market conditions. 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 AD Business.

(8) As described in Items 1 and 12, as a condition to operating an AD Business, your owners must establish a single purpose entity that will directly own and operate Restaurants in the Territory. The estimate above does not include the estimated investment necessary for the Operating Entity to develop and operate a Restaurant. That estimate is described in the Restaurant’s FDD.

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.

You must offer in your AD Business only those Sales Services, Site Services and Support Services we designate. You must purchase for use in your AD Business those advertising and marketing materials and other services or products from us or from our designated suppliers. You cannot obtain these advertising and promotional materials from any other source. We currently are the sole source of supply for advertising and promotional materials. There are no other products or services that must be purchased from us, our affiliates or a predecessor. We do not grant approval of alternative suppliers for the limited products available from us or our designated suppliers, nor do we issue specifications and standards regarding these limited products. We do not provide material benefits to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

You must purchase and maintain for each AD Business you operate, at your expense, comprehensive general liability insurance 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. All insurance policies must insure us, you and our affiliates, and their respective officers, directors and employees and any other person that we designate from all liability, damages or injury, must, as applicable, include primary and non-contributory endorsement or language in form and content that we periodically require, and must meet all other requirements that we designate. You must provide us with proof of insurance we require.

You must purchase for use in your AD Business certain uniforms displaying the Marks. You currently may obtain these items from any source we approve. We also intend to establish certain minimum requirements for the computer hardware and software used in an AD Business, although we currently only require that you have a personal computer and certain basic software. (See Item 11).

Other than as described above, as of the date of this disclosure document, you are not obligated to purchase or lease goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate or comparable items from us, our designee or suppliers we approve or under our specifications.

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.

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

For the fiscal year ending December 31, 2023, we received $501,106 in revenue as a result of franchisees' purchase of products or services, or 15.06% of our total revenues of $3,327,397 based on our audited financial statements for the year ended December 31, 2023 attached here as Exhibit A. For the fiscal year ending December 31, 2023, our affiliates did not receive any revenue as a result of franchisees' purchase of products or services.

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

We estimate that the purchase or lease of advertising and sales promotions materials and other items which meet our specifications such as insurance and marketing materials, will represent approximately 5% to 10% of the cost to develop the AD Business and 5% to 10% of the cost to operate your AD Business.

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	Not Applicable	Item 11
b. Pre-opening purchases/leases	Sections 9(B), 9(O)	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Section 9(B)	Item 5, 7, and 11
d. Initial and ongoing training	Section 7	Items 7 and 11
e. Opening	Section 9(B)	Items 5 and 11
f. Fees	Sections 5, 6, 7(C), 7(D), 7(F)	Items 5, 6 and 7
g. Compliance with standards and policies/ AD Manual	Sections 4, 7(E), 9	Items 11 and 16
h. Trademarks and proprietary information	Sections 8, 12	Items 13 and 14
i. Restriction on products/services offered	Section 2	Items 8 and 16
j. Warranty and customer service requirements	Sections 9(G), 9(I)	Item 11
k. Territorial development and sales quotas	Section 4(A)	Item 12
l. Ongoing product/service purchases	Sections 9(B), 9(Q)	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Not Applicable	Item 11
n. Insurance	Section 9(O)	Items 6, 7 and 8
o. Advertising	Sections 4(C), 9(P), 9(Q)	Items 6, 7 and 11
p. Indemnification	Sections 9(E) and 18	None
q. Owner's participation/management/staffing	Sections 9(A), 9(M)	Items 11 and 15
r. Records and reports	Section 10	Item 6
s. Inspections and audits	Section 11	Item 6
t. Transfer	Section 14	Items 6 and 17
u. Renewal	Section 3	Items 6 and 17
v. Post-termination obligations	Section 17	Item 17
w. Non-competition covenants	Sections 13(C), 13(D)	Item 17
x. Dispute resolution	Sections 19, 20(D), 20(E)	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

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

Pre-Opening Assistance. Before you open your AD Business, we will:

(1) Provide the initial training program described below to you or, if you are an entity, the "Managing Owner" (as defined in Item 15) (Area Developer Agreement – Sections 7(A) and 7(B)).

(2) Provide to you access to the confidential AD Manual. You must keep the AD Manual confidential and discontinue using it when the Area Developer Agreement terminates (Area Developer Agreement – Section 7(E)).

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

(1) Make available to any replacement or additional Operating Managers (as defined in Item 15) and other managers the initial training program (Area Developer Agreement – Section 7(C)).

(2) Provide periodic seminars, conventions or continuing education at our discretion (Area Developer Agreement – Section 7(D)).

(3) Periodically provide you with updated and revised materials for the AD Manual (Area Developer Agreement – Section 7(E)).

(4) Provide advisory services relating to franchise sales, support and assistance (Area Developer Agreement – Section 7(F)).

(5) Provide access to franchises sales, advertising and promotional materials we develop, at your cost (Area Developer Agreement – Section 7(F)).

(6) Collect certain fees from Restaurants within your Territory, and remit commissions owed to you, as appropriate. Commissions are summarized in the table below:

Commission	Amount	When Paid	Section(s) of Area Developer Agreement
Sales Services Commissions	20% of the initial franchise fee paid to us; 10% of the initial franchise fee if we are involved in some or all of the sales process; or 0% for franchisees located in Captive Market Locations	Within 28 days after all conditions of payment have been met and you have provided the required services	6(A) and 6(B)
Site Services Commissions	20% of the initial franchise fee paid to us; or 0% for franchisees located in Captive Market Locations	Within 28 days after all conditions of payment have been met and you have provided the required services	6(C)

Commission	Amount	When Paid	Section(s) of Area Developer Agreement
Transfer Commissions	50% of the transfer fee paid to us	Within 28 days after completion of transfer after all conditions have been met	6(D)
Royalty Fee Commission	40% of the royalty fees paid to us (excluding advertising and other fees); or 0% of the royalty fees paid to us for franchisees located in Captive Market Locations	Within 28 business days after the end of each 4 week period we determine and after all conditions have been met and you have provided the required services and reports	6(E)

Conditions apply to the payment of area developer commissions. You will not receive a Sales Service Commission unless the franchisee signs a franchise agreement with us, the sale is not a resale of any existing Restaurant, and you have performed all Sales Services. In addition, you will not receive a Sales Service Commission for Restaurants we or our affiliates own and operate or for Restaurants developed in Captive Market Locations (as defined in Item 12). You will not receive a Site Services Commission for Restaurants we or our affiliates own and operate or for Restaurants developed in Captive Market Locations, or for any Restaurant in the Territory for which we, and not you, have performed the Site Services. You will not receive a Royalty Fee Commission for full-service Restaurants and Non-Traditional Restaurants (as defined in Item 12) that are developed in Captive Market Locations, unless your Territory specifically includes Captive Market Locations. You will not receive a Royalty Fee Commission for any Restaurant if you failed to provide the required services and reports. No commissions are paid to you unless the underlying fees have been actually paid to us by Hot Head Burritos® franchisees within your Territory and you have met all applicable conditions (Area Developer Agreement, Section 6).

Advertising Programs. We are not required to spend any particular amount on marketing, advertising or promotions in the area in which your AD Business is located. You are not required to contribute to a cooperative or marketing fund and we do not operate a marketing fund for AD Businesses. We do not have an advertising council composed of franchisees. The Advertising Deposit will be used to develop and conduct national, regional, and local advertising, marketing, promotional and public relations campaigns and to provide other marketing and advertising support as we determine necessary in our sole discretion. The Advertising Deposit is not refundable. Additionally, you must spend at least $1,000 each calendar month on approved advertising to solicit franchises in the Territory.

You cannot develop advertising materials for your own use. You must purchase and use in your AD Business promotional and advertising materials that we or our designee(s) develop.

You must participate in any form of electronic communication we designate, including email, texting, and instant messaging. You must actively maintain and check your Hot Head Burritos® email address and texts, and respond to any emails or texts sent to your Hot Head Burritos® email address, as further described in the Area Developer Manual.

We and you will share equally in the costs we incur for printing advertising and marketing materials we supply to you at your request. In addition, we and you will share equally in the cost of participating in any trade shows in the Territory that we approve. At the time you sign the Area Developer Agreement, you will pay to us an "Advertising Deposit" of $3,500 that will be used to develop and conduct national, regional, and local advertising, marketing, promotional and public relations campaigns and to provide other marketing and advertising support as we determine necessary in our sole discretion.

Computer System. You must already own or purchase a computer (PC) with Microsoft Word and Microsoft Excel for use in your AD Business. We estimate that the initial cost for the computer will be $1,000 to $3,000. In the future, we reserve the right to change the computer system that we have selected for use in AD Businesses. We periodically may update or change the point-of-sale system we designate in response to business, operations, marketing conditions, or changes in technology. You are required to use the email address we provide in connection with your AD Business and to monitor your email on a daily basis. As of the issuance date of this disclosure document, we do not currently require the use of a tablet in your AD Business, but we may require the use of a tablet as a required component of the computer system in the future. We expect that a tablet meeting our required specifications will cost approximately $500.

You may be required to obtain ongoing maintenance and repairs respecting the computer system. There are no contractual limitations on the frequency and cost of additional maintenance, repairs, updates or upgrades. You must incorporate these upgrades and updates to the computer system. We have no contractual obligations regarding any maintenance, repairs, updates or upgrades. We estimate that the annual cost of any optional or required maintenance will be less than $500 per year.

We will have the right to access operational and financial information and data produced by your computer system (Area Developer Agreement, Section 6(D)). There are no contractual limitations on our right to access the information and data.

Site Selection. You may operate your AD Business from any location, including your home, within the Territory, provided that the office has: (a) the required computer system; (b) at least one dedicated phone line with 24-hour professional answering service or voice mail; (c) a fax machine with its own dedicated line; and (d) an internet connection and email we approve. We do not approve the location.

Development Time. The typical length of time between our acceptance of the Area Developer Agreement and the commencement of your AD Business varies from 30 to 90 days. This period may be longer or shorter, depending on the time of year, availability of financing, how soon you can attend training or other factors. You must successfully complete training and commence operation of the AD Business within 90 days following the date of the Area Developer Agreement or we may terminate the Area Developer Agreement, although we will extend the 90-day period if factors outside your control delay you and you use your best efforts to comply.

Training. Before you commence operating your AD Business, we will provide the initial training program to you (or if you are an entity, the Managing Owner) and, at your option, the Operating Manager, as described in Item 15. 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 or more often as needed. The initial training program lasts for 1 day and includes instruction relating to product marketing, franchise sales, franchise law compliance, site selection and Restaurant operations. In addition to the initial training, we will provide on-the-job training of up to 150 hours consisting of on-site visits, phone consultations, and other support, which training will take place over a 2 year period conducted from our corporate headquarters, except for the on-site training.

You may not commence operating your AD Business unless you (or, if you are an entity, the Managing Owner) successfully complete the initial training program. After the initial training program, if you (or your Managing Owner) believe that you need supplemental training in the operation of an AD Business, you (or your Managing Owner) may request that we provide additional training, at no additional cost to you, provided that you request the training in writing at the end of the initial training program. Any successor Managing Owner also must complete our initial training program to our satisfaction. We reserve the right to charge a tuition fee for replacement or additional Managing Owners, Operating Managers and other management personnel.

The initial training program consists of the following:

TRAINING PROGRAM

Subject	Hours Of Classroom Training	Hours Of On-The-Job Training[1]	Location
Proper disclosure, Do's and Don'ts	2	50	Kettering, Ohio
Site evaluation and approval	2	50	Kettering, Ohio
Working with Prospective Franchisees	2	50	Kettering, Ohio
TOTAL	6	150	

Notes:

(1) On-The-Job Training includes on-site visits, phone consultations, and other support and will take place over a 2 year period with up to 150 hours of training as we determine necessary.

Bill Dirr is our Business Systems Director, and he conducts the initial training program. In Mr. Dirr's 15 years of employment with us, he has assisted with training for 14 years and worked for 6 years in field inspections. Mr. Dirr is ServSafe Certified with a Level 2 Certification in the state of Ohio.

We do not charge a fee for the initial training program. You are responsible for travel and living expenses that you, your Operating Manager, Managing Owner and any additional 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 AD Business, we will provide training to any new Operating Manager, at your expense. We may charge you a fee for this training. In addition, we may require that you (or, if you are an entity, the Managing Owner) and any Operating Manager attend supplemental and refresher training programs in-person during the term of the Area Developer Agreement for up to 5 times each calendar year. We may determine the time and place of this additional training and may charge you a reasonable fee for the training. We also will require you attend calls and virtual meetings periodically, and there is no limit on your obligation to attend calls or virtual meetings.

Area Developer Manual. We will allow, during the term of the Area Developer Agreement, access to our area developer manual (the "AD Manual"). As of the date of this disclosure document, the table of contents of the AD Manual is as follows:

ITEM 12

TERRITORY

If you are granted an area developer franchise, you have the right to perform Sales Services for us, and provide Site Services and Support Services to Restaurants within your Territory, all under the terms of the Area Developer Agreement. Neither we nor our affiliates will establish or license others to act as area developers or special agents to perform Sales Services for us, and provide Site Services and Support Services to Restaurants within your Territory, except as described below.

When we offer to sell you the area developer franchise, we will identify the boundaries of your Territory in Exhibit A to the Area Developer Agreement. The size may vary from one area developer to the next. Once established, you may not modify your Territory.

You may only solicit prospective Hot Head Burritos® franchisees that reside, or maintain their principal place of business, within your Territory. You may only solicit prospective Hot Head Burritos® franchisees that plan to locate a Restaurant in your Territory.

As a condition of maintaining your area developer franchise, you must satisfy certain development obligations ("Development Quota") for each "Sales Year" during the term of the Area Developer Agreement. The Development Quota consists of the following 2 development obligations: (i) the number of Restaurants sold in the Territory during the Sales Year; and (ii) the number of Restaurants open and operating within the Territory at the end of each Sales Year. A Restaurant is "sold" if there is a fully signed and effective franchise agreement with no existing contingencies and a fully paid initial franchise fee. A Restaurant is open and operating if it is open and operating in the Territory and the franchisee is not in default under the terms of the franchise agreement. "Sales Year" means each calendar year beginning January 1 and ending December 31.

We and you will agree on the applicable Development Quota to be included in Exhibit A to the Area Developer Agreement before you sign the Area Developer Agreement. Development Quotas vary considerably between AD Businesses. We estimate, however, that the typical Development Quota will be a cumulative total of approximately 30 to 50 Restaurants open and operating at the end of the initial term of the Area Developer Agreement. In addition, the Operating Entity must continuously own and operate at least one Restaurant within your Territory. The Operating Entity is described in Item 1. It is established by your Principal Owners and must have entered into a Hot Head Burritos® franchise agreement before or concurrent with the Area Development Agreement. We may reduce or eliminate all or some of the Royalty Fee Commissions or terminate the Area Developer Agreement if you fail to meet a Development Quota for any Sales Year or if the Operating Entity fails to own and operate at least one Restaurant at any time in the Territory.

In addition, if you are in default under the Area Developer Agreement for any reason, we may terminate your protected rights in the Territory without terminating the Area Developer Agreement. If we terminate your rights in the Territory, you can continue to assist in Sales Services, Site Services and Support Services on a non-exclusive basis but we will have the right to appoint other area developers and franchise others to operate Restaurants in the Territory. You will not be entitled to commissions for sales or services provided to Restaurants by other area developers in the Territory.

We and our employees, affiliates, and designees reserve the right to:

(a) use, and to license others to use, the Marks and the Business System operate other AD Businesses at any location outside the Territory;

(b) without compensation to you (i) solicit prospective Hot Head Burritos® franchisees, and to grant other persons franchises to operate Restaurants, at such locations within and outside of the Territory and on such terms and conditions as we deem appropriate, (ii) to own and operate for our own benefit (or through an affiliate) Restaurants within the Territory; (iii) to provide Sales Services and Site Services for franchised Restaurants in the Territory (but if we have performed Sales Services or Site Services without your assistance for any Franchisee, we have no obligation to pay you any applicable Sales Services Commissions or Site Services Commissions); and (iv) directly provide or grant licenses to others to provide Sales Services, Site Services and/or Support Services to "Captive Market Locations." The term "Captive Market Locations" includes regional, enclosed or similarly situated shopping center or mall, airport or other transportation terminal, sports facility, hospital, college and university campus, corporate campus, a department within an existing retail store, hotel, grocery store, or other similar type of location that has a restricted trade area. Additionally, "Captive Market Locations" include any location in which a Hot Head Burrito® branded operation that is not a full-service restaurant (a "Non-Traditional Restaurant"), such as a food truck, whether operated by us or a franchisee, contracts with to provide food service. Such locations may include, but are not limited to, manufacturing facilities or other workplaces serving food over the lunch hour, food truck festivals, or other events in which Non-Traditional Restaurants typically operate. For clarification purposes, the reserved rights for a Captive Market Location does not grant a Non-Traditional Restaurant, whether operated by us or a franchisee, the right to operate on public streets or public parking lots in the Protected Territory;

(c) use and license the use of alternative proprietary marks or methods in connection with the promotion, franchising and operation of restaurants featuring Mexican food products, other food products, and related services, in any channel of distribution or at any location and within any territory (including the Territory), without compensation to you, provided that we will not operate or license others to operate a competing full-service restaurant featuring Mexican food products within the protected territory described in the Franchise Agreement for any Restaurant in the Territory;

(d) promote, sell and distribute the products and services authorized for sale at 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., channels other than the operation of full-service restaurants, such as a food truck), without any compensation to you, 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 Territory without compensation to you; and

(e) promote the Business System and 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.

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

Except as specifically authorized under the Area Developer Agreement, you do not have the right to use other channels of distribution, such as the Internet or e-commerce, catalog sales, telemarketing or other direct marketing, within or outside of your Territory. You do not receive the right to acquire additional area developer franchises unless you sign another Area Developer Agreement with us. In addition, we generally will not grant to you any options, rights of first refusal or similar rights to acquire additional area developer franchises.

ITEM 13

TRADEMARKS

We grant you the right to operate your AD Business 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 Area Developer 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	Reg. No. 4096568	Reg. Date: February 7, 2012 Assignment Date: August 18, 2017	Principal
HOT HEAD BURRITOS	Reg. No. 3475075	Reg. Date: July 7, 2008 Assignment Date: August 18, 2017	Principal
HOT HEAD BURRITOS (work mark)	App. No. 88199253	Application Date: November 19, 2018	Principal
BURRITO BUTTON	Reg. No. 5587599	Reg. Date: October 16, 2018	Principal
HOT HEAD MEXICAN GRILL & CANTINA	Reg. No. 6034798	Reg. Date: April 14, 2020	Principal

We acquired the Marks from 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 Area Developer 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 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 AD Manual and our recipes, and for certain other written materials we provide to assist you in operating the AD Business.

We own certain proprietary or confidential information relating to the operation, promotion and franchising of Restaurants, including information in the AD Manual and recipes ("Confidential Information"). You must keep confidential during and after the term of the Area Developer Agreement the Confidential Information. When your Area Developer Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material relating to your AD Business, although the Operating Entity may retain any Confidential Information during the term of any separate Franchise Agreement. 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 AD Manual at your cost. We own and will periodically establish policies under which we or you may use the prospective franchisee data.

You and your employees may not, without our prior written consent, utilize any generative artificial intelligence software, tools, or technologies, including, natural language processing, deep learning algorithms, or machine learning models ("Generative AI"), while operating the Restaurant or your. This includes, but is not limited to, uploading or sharing any Confidential Information with any third-party platforms, including Generative AI, except as authorized in writing by us.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are a partnership or entity, you must designate an individual we approve and who owns at least 25% of you to be the managing owner ("Managing Owner"). The Managing Owner is responsible for day-to day operations of the AD Business and must successfully complete our required training. The Managing Owner 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. You may also designate another member of your staff as a manager ("Operating Manager").

Each Principal Owner must sign the Guaranty and Assumption of Obligations attached to the Area Developer Agreement. We also may require the spouse of any Principal Owner to sign the Guaranty and Assumption of Obligations. These people agree to discharge all obligations of the franchisee entity to us under the Area Developer 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.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You have no right to sell any products or services other than those Sales Services, Site Services and Support Services that we have approved to existing and prospective Hot Head Burritos® franchisees within you Territory under the terms of the Area Developer Agreement. We have the right to periodically change the services you provide within your Territory, subject to the limitations described in the Area Developer Agreement.

We reserve the right to require you to use third-party delivery services (e.g., UberEats, DoorDash, etc.) at your Restaurant, we have the right to require that you only use specific vendors, who have been approved by us, for such services. We reserve the right to require that you use a specific vendor for the system that enables automatic order integration between such third-party vendors and the POS System. We also reserve the right to access your third-party delivery sales data or request such sales data from the third-party deliver provider. We further reserve the right to adjust royalties, fees, and other policies, as necessary, to account for changes in the volume of orders received, and the other fees associated with, third-party delivery services.

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(A)	10 years
b. Renewal or extension of the term	Section 3(B)	Right to renew for 2 additional 10-year terms if you meet certain conditions.
c. Requirements for you to renew or extend	Section 3(B)	Provide required written notice; have complied with Area Developer Agreement; not in default under Area Developer Agreement; complete any new required training; paid a $5,000 renewal fee; sign our then-current form of area developer agreement (which may contain materially different terms and conditions than those in your original agreement); sign a general release; and we and you agree upon a new Development Quota.
d. Termination by you	Section 16	You may terminate the Area Developer Agreement if we violate a material obligation or fail to cure with 90 days' notice, subject to state law.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Sections 15(A) and 15(B)	We may terminate the Area Developer Agreement only if you default.
g. "Cause" defined – curable defaults	Sections 15(A) and 15(B)	You have 30 days to cure a failure to pay us or our affiliate amounts due; 30 days to cure if you fail to meet the Development Quota; 72 hours to cure any conducts that materially impairs the goodwill associated with the Marks and 30 days to cure all other defaults (other than non-curable defaults).
h. "Cause" defined – non-curable defaults	Sections 15(A) and 15(B)	Non-curable defaults: failure to comply with one or more material requirements on 3 or more separate occasions in a 12-month period, nature of the breach makes it non-curable, material misrepresentation or omission in franchise application or in operating AD Business, failure to comply with federal or state franchise laws; you, any Principal Owner or Operating Manager is convicted of or pleads guilty to or no contest to a felony, a crime involving moral turpitude or any other crime that we believe will injure the System, the Marks, or if we have proof you've committed a felony, you are insolvent, bankruptcy, assignment for benefit of creditors; abandonment; unauthorized transfer, or falsification of any report, statement, or other written data furnished to us, or unauthorized disclosure of any negotiated terms of Area Developer Agreement.
i. Your obligations on termination/nonrenewal	Section 17(A)	Cease using the Marks; pay all amounts due; cease using and return AD Manual or any materials related to the AD Business; assign or disconnect telephone numbers; deliver all past and present franchise sales leads and records, and all other information related to Franchisees in the Territory; cancel fictitious name; not communicate with Franchisees; cease using Confidential Information and copy with all other post-term obligations, include the non-compete.
j. Assignment of contract by us	Section 14(A)	No restriction on our right to assign.

Provision	Section in Agreement(1)	Summary
k. "Transfer" by you-defined	Sections 14(B) and 14(C)	Includes transfer or sale of the AD Business, the assets of the Business, the Area Developer Agreement or a controlling interest in you.
l. Our approval of transfer by franchisee	Section 14(C)	We have a right to approve all transfers, which will not be unreasonably withheld.
m. Conditions for our approval of transfer	Section 14(C)	Provide all amounts owed; in good standing under Area Developer Agreement or any other agreement; proposed transferee meets our standards; transferee enters into a written agreement, in a form we approve, agreeing to assume your obligations under the Area Developer Agreement or, at our option, sign our then-current form of area developer agreement, compete all required training; pay transfer fee; sign a general release; approval of material provisions of assignment; and you agree to observe post-term obligations. Conditions for our approval of a transfer may be revised by us, as communicated in the Operations Manual or otherwise in writing.
n. Our right of first refusal to acquire your business	Section 14(E)	We can match any offer for your AD Business.
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Section 14(D)	Upon death or disability of you or Managing Owner, your remaining Principal Owners or executor must appoint an Operating Manager we approve within 30 days.
q. Non-competition covenants during the term of the franchise	Section 14(D)	May not divert any franchisee or prospective franchisee from business or own or conduct franchise sales for a competing business, subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Section 14(E)	For 2 years, may not divert any franchisee or prospective franchisee from business or own or conduct franchise sales for competing business in the Territory or in the territory of any other area developer, subject to state law.
s. Modification of the agreement	Section 20(F)	No modifications except by written agreement.
t. Integration/merger clause	Section 20(N)	Only the terms of the Area Developer Agreement (including exhibits) are binding. Notwithstanding the foregoing, nothing in any Area Developer Agreement is intended to disclaim the express representations made in this disclosure document.
u. Dispute resolution by arbitration or mediation	Section 19	Subject to non-binding mediation and then arbitration in the city where our corporate headquarters are located (subject to state law).
v. Choice of forum	Section 20(D)	State or federal court where our corporate offices are located (subject to state and federal law).
w. Choice of law	Section 20(E)	Ohio law (subject to state law).

ITEM 18

PUBLIC FIGURES

We do not currently 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.

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 Avenue, Kettering, Ohio 45429, (937) 979-1748, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1
Systemwide AD Business Summary
For Years 2021-2023

AD Business Type	Year	AD Businesses at the Start of the Year	AD Businesses at the End of the Year	Net Change
Franchised (1)	2021	15	16	+1
	2022	16	16	0
	2023	16	14	-2
Company-Owned	2021	6	6	0
	2022	6	6	0
	2023	6	6	0
Total AD Businesses	2021	21	22	+1
	2022	22	22	0
	2023	22	20	-2

(1) As described in Item 1, one of the franchisees operates a business that is substantially similar to the AD Business.

TABLE NUMBER 2
Transfers of AD Businesses From Franchisee to New Owners (Other than the Franchisor)
For Years 2021-2023

State	Year	Number of Transfers
Kentucky	2021	1
	2022	0
	2023	0
Ohio	2021	1
	2022	0
	2023	0
Pennsylvania	2021	1
	2022	0
	2023	0
TOTAL	2021	3
	2022	0
	2023	0

TABLE NUMBER 3
Status of Franchised AD Businesses
For Years 2021-2023

State	Year	AD Businesses at the start of the year	AD Business Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations/ Other Reasons	AD Business at the End of the Year
Connecticut	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	1	0	0	0	1
Georgia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	1	0	0	0	0
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kentucky	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Massachusetts	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Michigan	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4

State	Year	AD Businesses at the start of the year	AD Business Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations/ Other Reasons	AD Business at the End of the Year
	2023	4	0	0	0	0	0	4
Pennsylvania	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
West Virginia	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
TOTAL	2021	15	1	0	0	0	0	16
	2022	16	0	0	0	0	0	16
	2023	16	0	2	0	0	0	14

TABLE NUMBER 4
Status of Company-Owned AD Businesses
For Years 2021-2023

State	Year	AD Businesses at the Start of the Year	AD Businesses Opened	AD Businesses Reacquired From Franchisees	AD Businesses Closed	AD Businesses Sold to Franchisees	AD Businesses at the End of the Year
Indiana	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Kentucky	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
North Carolina	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Ohio	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
South Carolina	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Tennessee	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
TOTAL	2021	6	0	0	0	0	6
	2022	6	0	0	0	0	6
	2023	6	0	0	0	0	6

TABLE NUMBER 5
Projected Openings
As of December 31, 2023

State	Area Developer Agreements Signed But AD Business Not Opened	Projected New Franchised AD Businesses through the End of the Current Fiscal Year	Projected New Company-Owned AD Businesses through the End of the Current Fiscal Year
Kentucky	0	0	0
Oklahoma	0	0	0
Texas	0	0	0
Washington	0	0	0
TOTAL	0	0	0

A list of Hot Head Burritos® area developers as of December 31, 2023, is included on Exhibit D. A list of Hot Head Burritos® area developers that have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Area Developer Agreement as of December 31, 2023, is also included on Exhibit D..

If you buy a Hot Head Burritos® area developer 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.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this disclosure document.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit A are our audited balance sheets and profit and loss statements as of December 31, 2023, December 31, 2022, and December 31, 2021.

ITEM 22

CONTRACTS

The Area Developer Agreement is attached as Exhibit B.

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 F). You should keep one copy as your file copy and return the second copy to us.

EXHIBIT A

FINANCIAL STATEMENTS

HOT HEAD FRANCHISING, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2023

HOT HEAD FRANCHISING, LLC
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MUHAMMAD ZUBAIRY, CPA PC
Certified Public Accountant
646.327.7013

INDEPENDENT AUDITOR'S REPORT

To the Members of
Hot Head Franchising, LLC

Opinion

We have audited the financial statements of Hot Head Franchising, LLC, which comprises the balance sheets as of December 31, 2023 and the related statements of operations, and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Hot Head Franchising, LLC as of December 31, 2023 and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hot Head Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

Muhammad Zubairy, CPA
Westbury, NY
April 16, 2024

HOT HEAD FRANCHISING, LLC
BALANCE SHEETS

ASSETS

	YEARS ENDING DECEMBER 31	
	2023	2022
Current Assets		
Cash	$ 120,663	$ 30,085
Accounts receivable	101,580	50,059
Loan receivable	18,075	14,335
Contract Asset	22,899	23,978
Total Current Assets	263,217	118,457
Fixed Assets		
Office and computer equipment	20,049	20,049
Leasehold improvements	81,109	81,109
Vehicle	116,935	116,935
Less: accumulated depreciation	(126,931)	(118,264)
Fixed Assets, net	91,162	99,829
Reacquired franchise rights, net	388,049	498,917
Deposit	41,881	41,881
Contract Asset, net of current	20,015	42,914
	449,945	583,712
Total Assets	$ 804,324	$ 801,998

LIABILITIES AND MEMBERS' EQUITY

	2023	2022
Current Liabilities		
Accounts payable and accrued expenses	$ —	$ 28,365
Note payable	15,942	13,758
Prepaid rebates	17,500	17,500
Contract Liability	83,158	78,908
	116,600	138,531
Note payable, net of current portion	64,529	80,468
Prepaid rebate, net of current	60,291	77,791
Contract Liability, net of current	276,033	305,660
Members' Equity	286,871	199,548
Total Liabilities and Members' Equity	$ 804,324	$ 801,998

See notes to financial statements

HOT HEAD FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY

	YEARS ENDING DECEMBER 31	
	2023	**2022**
Revenues		
Franchise fees	$ 67,881	$ 67,091
Royalties	2,752,720	2,576,195
Manufacturer rebates	501,106	354,217
Miscellaneous income	4,781	1,006
	3,326,488	2,998,509
Operating Expenses	1,673,049	1,329,674
Income from Operations	1,653,439	1,668,835
Gain on Sale of Equipment		20,191
Net Income	1,653,439	1,689,026
Members' Equity - Beginning	199,548	472,903
Members' Contribution	7,116	7,116
Members' (Distributions)	(1,573,232)	(1,969,497)
Members' Equity - Ending	$ 286,871	$ 199,548

HOT HEAD FRANCHISING, LLC
STATEMENTS OF CASH FLOWS

	YEARS ENDING DECEMBER 31	
	2023	**2022**
Cash Flow From Operating Activities		
Net income	$ 1,653,439	$ 1,689,026
Depreciation and amortization	56,969	148,561
Gain on disposal of equipment	—	(20,191)
Adjustments to reconcile net income to cash provided by operating activities:		
Changes in assets and liabilities;		
Accounts receivable	51,521	102,892
Loan receivable	3,740	(4,051)
Contract Assets	(23,978)	24,738
Accounts payable and accrued expenses	(28,365)	(37,283)
Notes payable, net	(13,755)	17,016
Contract Liability	(25,377)	3,174
Prepaid rebate	(17,500)	(12,490)
	1,656,694	1,911,392
Cash Flows from Investing Activities		
Purchase of vehicle	—	(73,372)
Proceeds from disposal of vehicle	—	35,000
	—	(38,372)
Cash Flows from Financing Activities		
Members' contributions	7,116	7,116
Members' (Distributions)	(1,573,232)	(1,969,497)
	(1,566,116)	(1,962,381)
Net Increase in Cash	90,578	(89,361)
Cash - Beginning	30,085	119,446
Cash - Ending	$ 120,663	$ 30,085

See notes to financial statements

1. THE COMPANY

Hot Head Franchising, LLC (the Company) is an Ohio limited liability company formed in August 2009 to offer franchisees the opportunity to own and operate a Hot Head Burritos® restaurant utilizing the Company created system.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

Franchise Arrangements-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a Hot Head Burrito® restaurant for a specified number of years.

Concentration of Credit Risk-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of $250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

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

Taxes on Income-The Company is a limited-liability company and has made an election under the Internal Revenue code tobe treated as a partnership for income tax purposes and income and expenses of the Company pass through directly to the members' and are reported on their individual income tax returns.

3. REVENUE RECOGNITION

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligations are amortized over the life of the related franchise agreements. Commissions paid for franchises are amortized over the life of the franchise agreement. The Company adopted ASC-606 using the modified retrospective adjustment method as of January 1, 2019.

4. CONTRACT LIABILITY AND CONTRACT ASSETS

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2023, and 2022 $359,191 were and $384,568, respectively. The deferred commission expense as of December 31, 2023, and 2022, were $42,914 and $66,892, respectively.

5. PREPAID REBATE

The Company receives incentives to purchase exclusively from specific vendors. Certain vendors provide a lump sum payment at the time of the agreement, with the amount to be amortized over the life of the agreement, based on product usage, resulting in prepaid rebates. The prepaid rebates as of December 31, 2023, and 2022 was $77,791 and $ 95,291 respectively.

6. NOTES PAYABLE

During 2022 the Company obtained a note payable of $61,408 from State Farm Bank. This note is collateralized by all the assets of the Company, bearing interest at 9.8% with a term of 72 months. Monthly payments are $1,135.

During 2020, the Company obtained a note payable of $43,562 for the purchase of a vehicle. The note bears an interest rate of 7.6% with a term of 72 months. Monthly payments are $755.

Principal payments due for each of the next five years are as follows:

Due 2024	**$**	**15,942**
Due 2025		**17,413**
Due 2026		**19,022**
Due 2027		**13,797**
Due 2028		**12,777**
Due 2029		**1,518**
	$	**80,468**

7. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

8. REACQUIRED FRANCHISE RIGHTS

During 2019, the Company reacquired franchise rights to develop stores within a specific area. The required franchises operate as existing franchisees. The Company amortizes these rights on a straight-line basis over the remaining life of the original franchise area developer agreement. Amortization expense for the years ending December 31, 2023, and 2022, were $110,868 and $110,868, respectively. Monthly amortization of $9,239 is expected to continue through 2027.

9. GUARANTEE

The two current members of the Company bought the membership units of two previous members of the Company. The members obtained a bank loan during 2019 in the amount of $5,700,392. The bank loan is also guaranteed by the Company. The note is due in monthly payments of $64,240, including interest at 5.75% through October 1, 2022, at which time the rate will be reset based on the terms of the note and a new monthly payment amount will be determined and payable until the balance is fully repaid on September 1, 2023. At December 31, 2021 the bank note payable guaranteed by the Company was $4,615,777.

10. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements through April 16, 2024, the date the financial statements were available to be issued.

HOT HEAD FRANCHISING, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2022

HOT HEAD FRANCHISING, LLC
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MONIS J. SIDDIQUI, CPA P.C.
Certified Public Accountant
516.730.6064

INDEPENDENT AUDITOR'S REPORT

To the Members of
Hot Head Franchising, LLC

Opinion

We have audited the financial statements of Hot Head Franchising, LLC, which comprises the balance sheets as of December 31, 2022, and 2021, and the related statements of operations, and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hot Head Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

Monis Siddiqui, CPA P.C.

Monis Siddiqui CPA P.C.
Bellerose, NY
March 31, 2023

HOT HEAD FRANCHISING, LLC
BALANCE SHEETS

ASSETS

	DECEMBER 31	
	2022	2021
Current Assets		
Cash	$ 30,085	$ 119,446
Accounts receivable	50,059	152,951
Loan receivable	14,335	10,284
Deferred commission expense	23,978	24,738
Total Current Assets	118,457	307,419
Fixed Assets		
Office and computer equipment	20,049	20,049
Leasehold improvements	81,109	81,109
Vehicle	116,935	107,129
Less: accumulated depreciation	(118,264)	(129,328)
Fixed Assets, net	99,829	78,959
Reacquired franchise rights, net	498,917	609,785
Deposit	41,881	41,881
Deferred commission expense, net of current	42,914	66,892
	583,712	797,517
Total Assets	$ 801,998	$ 1,104,936

LIABILITIES AND MEMBERS' EQUITY

	2022	2021
Current Liabilities		
Accounts payable and accrued expenses	$ 28,365	$ 65,648
Note payable	13,758	19,042
Prepaid rebates	17,500	17,500
Deferred revenue	78,908	79,204
	138,531	181,394
Note payable, net of current portion	80,468	58,168
Prepaid rebate, net of current	77,791	90,281
Deferred revenue, net of current	305,660	302,190
Members' Equity	199,548	472,903
Total Liabilities and Members' Equity	$ 801,998	$ 1,104,936

See notes to financial statements

HOT HEAD FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY

	YEARS ENDING DECEMBER 31	
	2022	**2021**
Revenues		
Franchise fees	$ 67,091	$ 182,119
Royalties	2,576,195	2,395,570
Manufacturer rebates	354,217	384,489
Miscellaneous income	1,006	5,023
	2,998,509	2,967,201
Operating Expenses	1,329,674	1,237,031
Income from Operations	1,668,835	1,730,170
Gain on Sale of Equipment	20,191	-
Net Income	1,689,026	1,730,170
Members' Equity - Beginning	472,903	314,261
Members' Contribution	7,116	-
Members' (Distributions)	(1,969,497)	(1,571,528)
Members' Equity - Ending	$ 199,548	$ 472,903

See notes to financial statements

HOT HEAD FRANCHISING, LLC
STATEMENTS OF CASH FLOWS

	YEARS ENDING DECEMBER 31	
	2022	2021
Cash Flow From Operating Activities		
Net income	$ 1,689,026	$ 1,730,170
Depreciation and amortization	148,561	142,936
Gain on disposal of equipment	(20,191)	—
Adjustments to reconcile net income to cash provided by operating activities:		
Changes in assets and liabilities;		
Accounts receivable	102,892	(127,448)
Loan receivable	(4,051)	(4,051)
Deferred commission expense	24,738	48,844
Accounts payable and accrued expenses	(37,283)	584
Notes payable, net	17,016	26,999
Deferred revenue	3,174	(105,612)
Prepaid rebate	(12,490)	(16,931)
	1,911,392	1,695,491
Cash Flows from Investing Activities		
Purchase of vehicle	(73,372)	(43,562)
Proceeds from disposal of vehicle	35,000	—
	(38,372)	(43,562)
Cash Flows from Financing Activities		
Members' contributions	7,116	—
Members' (Distributions)	(1,969,497)	(1,571,528)
	(1,962,381)	(1,571,528)
Net Increase in Cash	(89,361)	80,401
Cash - Beginning	119,446	39,045
Cash - Ending	$ 30,085	$ 119,446

See notes to financial statements

1. THE COMPANY

Hot Head Franchising, LLC (the Company) is an Ohio limited liability company formed in August 2009 to offer franchisees the opportunity to own and operate a Hot Head Burritos® restaurant utilizing the Company created system.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

Franchise Arrangements-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a Hot Head Burrito® restaurant for a specified number of years.

Concentration of Credit Risk-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of $250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

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

Taxes on Income-The Company is a limited-liability company and has made an election under the Internal Revenue code tobe treated as a partnership for income tax purposes and income and expenses of the Company pass through directly to the members' and are reported on their individual income tax returns.

3. REVENUE RECOGNITION

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligations are amortized over the life of the related franchise agreements. Commissions paid for franchises are amortized over the life of the franchise agreement. The Company adopted ASC-606 using the modified retrospective adjustment method as of January 1, 2019.

4. DEFERRED FRANCHISE FEES

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2022, and 2021, were $384,568 and $381,394, respectively. The deferred commission expense as of December 31, 2022, and 2021, were $66,892 and $91,630, respectively.

5. PREPAID REBATE

The Company receives incentives to purchase exclusively from specific vendors. Certain vendors provide a lump sum payment at the time of the agreement, with the amount to be amortized over the life of the agreement, based on product usage, resulting in prepaid rebates. The prepaid rebates as of December 31, 2022, and 2021 was $95,291 and $107,781, respectively.

6. NOTES PAYABLE

During 2022 the Company obtained a note payable of $61,408 from State Farm Bank. This note is collateralized by all the assets of the Company, bearing interest at 9.8% with a term of 72 months. Monthly payments are $1,135.

During 2020, the Company obtained a note payable of $43,562 for the purchase of a vehicle. The note bears an interest rate of 7.6% with a term of 72 months. Monthly payments are $755.

Principal payments due for each of the next five years are as follows:

Due 2023	$	13,758
Due 2024		15,942
Due 2025		17,413
Due 2026		19,022
Due 2027		13,797
	$	**79,931**

7. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

8. REACQUIRED FRANCHISE RIGHTS

During 2019, the Company reacquired franchise rights to develop stores within a specific area. The required franchises operate as existing franchisees. The Company amortizes these rights on a straight-line basis over the remaining life of the original franchise area developer agreement. Amortization expense for the years ending December 31, 2022, and 2021, were $110,868 and $110,868, respectively. Monthly amortization of $9,239 is expected to continue through 2027.

9. RELATED PARTIES

The Company from time to time has made advances to a related entity. These advances are due upon demand and do not bear interest. As of December 31, 2022, and 2021, the balance due from a related party was $0 and $0, respectively.

10. GUARANTEE

The two current members of the Company bought the membership units of two previous members of the Company. The members obtained a bank loan during 2019 in the amount of $5,700,392. The bank loan is also guaranteed by the Company. The note is due in monthly payments of $64,240, including interest at 5.75% through October 1, 2022, at which time the rate will be reset based on the terms of the note and a new monthly payment amount will be determined and payable until the balance is fully repaid on September 1, 2023. At December 31, 2022 the bank note payable guaranteed by the Company was $4,615,777.

11. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements through March 31, 2023, the date the financial statements were available to be issued.

EXHIBIT B

AREA DEVELOPER AGREEMENT

HOT HEAD BURRITOS®

AREA DEVELOPER AGREEMENT

____

YOU (AREA DEVELOPER)

____

DATE OF AGREEMENT

Hot Head Franchising, LLC
FTC 2024 Area Developer Agreement

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HOT HEAD BURRITOS®
AREA DEVELOPER AGREEMENT

THIS 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 Avenue, 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 "Business System" (as defined in Section 1) 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 using the "Marks" (as defined in Section 1).

B. We grant qualified persons the right to develop, own, and operate Hot Head Burritos® restaurants at specific locations.

C. You desire to act as a special agent for us within a certain geographic area, to assist in the offer of franchises for, and to develop, support, and provide services to, Hot Head Burritos® restaurants under the provisions stated below (the "Business").

AGREEMENTS

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

1. DEFINITIONS

In addition to capitalized terms in this Agreement which are defined elsewhere, the following terms are assigned these definitions:

A. "AD Business" means generally the business of an area developer acting as a special agent for us within a certain geographic area, assisting in the offer of franchises for, and developing, supporting, and providing services to, Hot Head Burritos® Restaurants

B. "Affiliate" includes each and every entity that controls, is controlled by, or is under common control with, a party to this Agreement.

C. "Business System" means the Hot Head Burritos® system which features the use of the Marks, certain distinctive types of retail facilities, equipment, supplies, Confidential Information, business techniques, methods and procedures, and sales promotion programs, as we periodically may modify and further improve, to establish, operate and promote Restaurants and related licensed methods of doing business.

D. "Confidential Information" means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, recipes, Area Developer Manual, systems and knowledge of and experience in the operation, promotion and franchising of Restaurants that we communicate to you or that you otherwise acquire in operating the Business or individual Restaurants under the Business System, together with any specific terms or clauses to this Agreement and the specific level or amount of fees paid or payable under this Agreement. 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.

E. "Franchise Agreement" means the forms of agreements (including franchise agreement and any appendices, exhibits, collateral assignments of lease or sublease, and personal guarantees) we periodically use in granting franchises to own and operate Restaurants. You acknowledge that you will use our then-current form of franchise agreement and that we periodically may modify the form of franchise agreement and related agreements, including modifying fees paid by Franchisees.

F. "Franchisee" means any person, corporation, partnership, or other entity who has entered into a Franchise Agreement with us.

G. "Initial Franchise Fee" means, respecting each Franchise Agreement, the initial payment we receive for the grant of the Restaurant franchise, and does not include other payments received for computer hardware and software and related services or Restaurant equipment and other tangible goods we or other Affiliates provide to Franchisees.

H. "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.

I. "Operating Company "means ___________________, a __________ company, whose equity interest are owned directly by your owners. The Operating Company is a single purpose entity that will be engaged in the ownership and operation of Restaurants in the Territory.

J. "Area Developer Manual" means the manuals, technical bulletins, and other written materials containing the mandatory and suggested specifications, standards, and operating procedures that we develop for AD Businesses, and information relating to your other obligations. The Area Developer Manual is separate and distinct from the Operations Manual that is specific to the operation of Restaurants.

K. "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.

L. "Products" means burritos and related food and beverage products and other accessories, that we may (1) identify on the authorized menu for Restaurants, as we periodically may modify, or (2) otherwise approve for sale in Restaurants.

M. "Restaurant" means a Hot Head Burritos® restaurant featuring a wide variety of Mexican food, including burritos, tacos, nachos quesadillas, salsas and related food and beverage products which are developed and operated under the Business System.

N. "Sales Year" means each calendar year beginning January 1 and ending December 31 during the Term (as defined in Section 3(A)).

O. "Territory" means the geographic area described in <u>Exhibit A</u> attached hereto.

2. SCOPE OF APPOINTMENT

A. Appointment of Area Developer/Scope of Operations. Subject to the provisions of this Agreement, we appoint you, and you accept appointment, as our special agent only within the Territory, to: (1) solicit prospective franchisees for Restaurants to be located in the Territory ("Sales Services"); (2) perform certain site acquisition and development services ("Site Services"): and (3) provide support and other services ("Support Services") to Restaurants located within the Territory. You agree that, during the Term, you will at all times faithfully, honestly and diligently perform your obligations hereunder and will continuously exert your best efforts to promote and enhance the development and operation of Restaurants in the Territory.

B. Duty to Operate Restaurants. You, through the Operating Company, will own and operate at least one (1) Restaurant in the Territory at all times after the initial six (6) month period following the Effective Date and during the remainder of the Term as a condition of your appointment. The Operating Company must sign the then-current Franchise Agreement for each Restaurant it develops, owns and operates. If you do not have an existing Restaurant in the Territory as of the Effective Date, you must (through the Operating Company) enter into a separate Franchise Agreement concurrent with the execution of this Agreement and must open a Restaurant under the Franchise Agreement within the six (6) month period stated above.

C. Rights and Limitations to Territory. During the Term, we will not directly, or franchise or otherwise appoint any third party to, perform Sales Services or to provide Site Services or Support Services to Franchisees within the Territory; provided, however, that we and our Affiliates will retain such rights in the Territory as described in Section 2(D) below.

D. Rights Reserved to Us. You acknowledge that the rights granted under this Agreement are nonexclusive, and we (for us and our Affiliates) retain the right (without compensation or obligation to you unless otherwise specifically described):

1. to use, and to license others to use, the Marks and the Business System operate other AD Businesses at any location outside the Territory;

2. (i) to solicit prospective Franchisees, and to grant other persons franchises to operate Restaurants, at such locations within and outside of the Territory and on such terms and conditions as we deem appropriate, (ii) to own and operate for our own benefit (or through an Affiliate) such Restaurants within the Territory (subject to our obligation to compensate you for Royalty Fee Commissions, as stated in Section 6(E); (iii) to provide Sales Services and Site Services for franchised Restaurants in the Territory (but if we have performed Sales Services or Site Services without your assistance for any Franchisee, we have no obligation to pay you any applicable Sales Services Commissions, Site Services Commissions, or Royalty Fee Commissions); and (iv) directly provide or grant licenses to others to provide Sales Services, Site Services and/or Support Services to "Captive Market Locations." A "Captive Market Location" is a Restaurant location within a regional, enclosed or similarly situated shopping center or mall, airport or other transportation terminal, sports facility, hospital, college and university campus, corporate campus, a department within an existing retail store, hotel, grocery store, or other similar type of location that has a restricted trade area. Additionally, "Captive Market Locations" include any location in which a Hot Head Burrito® branded operation that is not a full-service restaurant (a "Non-Traditional Restaurant"), such as a food truck, whether operated by us or a franchisee, contracts with to provide food service. Such locations may include, but are not limited to, manufacturing facilities or other workplaces serving food over the lunch hour, food truck festivals, or other events in which Non-Traditional Restaurants typically operate. For clarification purposes,

the reserved Captive Market Locations rights, does not grant a Non-Traditional Restaurant, whether operated by us or a franchisee, the right to operate on public streets or public parking lots in the Territory.

3. to use and license the use of alternative proprietary marks or methods in connection with the operation of restaurants featuring Mexican food products, other food products, and related services, in any channel of distribution or at any location and within any territory (including the Territory), provided that we will not operate or license others to operate a competing full-service restaurant featuring Mexican food products within the protected territory described in the Franchise Agreement for any Restaurant in the Territory;

4. to promote, sell and distribute the Products and the services authorized for sale at 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 Restaurants, such as a food truck), 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 Territory; and

5. to promote the Business System and 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. <u>TERM AND RENEWAL RIGHTS</u>

A. <u>Term</u>. The initial term of this Agreement (the "Term") is for a period of ten (10) years from the Effective Date (as defined in Section 20(O)), unless sooner terminated as provided herein.

B. <u>Renewal</u>. You will have the right to renew your franchise rights for the Business for two (2) additional terms of ten (10) years each, provided you satisfy each of 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 your intention to renew your franchise rights;

2. you have complied with all provisions of this Agreement, including the payment on a timely basis of all fees due. "Compliance" means, at a minimum, that you have not received any written notification from us of a breach of this Agreement and failed to timely cure such breach more than three (3) times during the Term;

3. you are not in default or under notification of breach of this Agreement at the time you give notice of renewal under Section 3(B)(1);

4. you (or if you are an entity, a Principal Owner we approve) 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 sixty (60) days before the Term expires a "Renewal Fee" of Five Thousand Dollars ($5,000) in lieu of our then-current standard Initial Territory Fee applicable to new area developers;

6. you sign our then-current form of area developer agreement at least sixty (60) days before the Term expires, which agreement may differ materially from the provisions of this Agreement; provided that you will be required to pay the Renewal Fee in lieu of the Initial Territory Fee stated in the then-current area developer agreement;

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, arising out of or relating to any agreement to which we or one of our Affiliates is a party, including this Agreement and each Franchise Agreement; and

8. you and we agree on a Development Quota (as defined in Section 4(A)) for the renewal term.

4. FRANCHISE SALES PROCEDURES

A. Development Quota. You agree to comply with the development quota described in Exhibit A attached hereto ("Development Quota") cumulatively and for each Sales Year. The determination as to whether you have satisfied the Development Quota will be made based on the number of Restaurants sold in the Territory, and the number of Restaurants open and operating in the Territory at the end of a Sales Year, as well as the cumulative number of Restaurants sold in the Territory and the number of Restaurants open and operating in the Territory. For purposes of these development obligations, a Restaurant will be considered "sold" if there is a fully signed and effective Franchise Agreement with no existing contingencies and a fully paid initial franchise fee respecting the Restaurant. A Restaurant will be considered "open and operating" and will be counted toward the satisfaction of the Development Quota if it is open and operating in the Territory and the Franchisee is not in default under the applicable Franchise Agreement. Restaurants developed in Captive Market Locations will not be counted towards your cumulative or annual Development Quota, unless your Territory specifically includes certain Captive Market Locations in Exhibit A. As described in Section 15, if you fail to meet the Development Quota, we may (i) reduce or eliminate Royalty Fee Commissions paid to you until such time you meet the applicable Development Quota, (ii) terminate this Agreement, or (iii) take any other action permitted by law.

B. Franchise Registration and Disclosure. Neither you nor any of your employees or representatives can solicit prospective Franchisees until we have registered our current Franchise Disclosure Document ("FDD") in applicable jurisdictions and have provided you with the requisite documents or at any time when we notify you that our registration is not then in effect or our FDD is not then in compliance with applicable law. If your activities under this Agreement require the preparation, amendment, registration, or filing of information or any disclosure or other documents, we or our designee will prepare and file all requisite disclosure documents, ancillary documents, and registration applications, and registration secured, before you may solicit prospective Franchisees and you will pay for the costs of such additional preparation and registration arising from your obligations and actions under this Agreement. In addition, you must:

1. prepare and forward to us your verified financial statements in such form and for such periods as we designate, including audited financial statements, if necessary and appropriate to comply with applicable franchise disclosure, filing, or other legal requirements;

2. promptly provide all information we require to prepare all necessary disclosure documents and ancillary documents to offer franchises throughout the Territory;

3. sign all documents we require to register both you and us to offer franchises throughout the Territory; and

4. pay us or our designee, upon demand, the costs of registering and preparing those portions of disclosure documents and ancillary documents which are specific to you, such as disclosures respecting you, your audited financial statements and franchise seller forms for you and your representatives, if required under applicable laws.

You agree to review all information relating to you prepared to comply with legal requirements for selling franchises in the Territory and verify its accuracy if we so request. You acknowledge that we and our Affiliates and designees will not be liable to you for any errors, omissions, or delays which occur in preparing such materials.

C. Advertising, Recruiting, and Screening. You will, at your expense, be responsible for advertising for, recruiting, screening, and interviewing prospects for Restaurant franchises within the Territory. You will provide prospective Franchisees with written promotional and marketing information regarding a Restaurant franchise that we supply or communicate information we provide or approve regarding Restaurant franchises by telephone, email or other on-line communications, face-to-face meetings, or visits at other Restaurants within the Territory. You will submit each qualified applicant ("Applicant") for a Restaurant franchise to be located in the Territory to us for approval. All Applicants you submit to us, if an individual, or the Principal Owner (as the term "Principal Owner" is defined in the Franchise Agreement) of the Applicant, if the Applicant is not an individual, will be individuals who are of good character, have adequate financial resources, and meet our criteria for Franchisees or Principal Owners of Franchisees. Each application for a franchise you receive must be submitted to us with all information respecting the Applicant, the Principal Owner of the Applicant, if applicable, the Applicant's proposed franchise location, if known, and all other information we customarily then require concerning Applicants, including such financial statements and other information as we may reasonably require. You will assist the Applicant in preparing such financial reports and other information.

D. Our Approval of Prospective Franchisees. We will notify you in writing as to whether we approve or disapprove Applicants to become Restaurant franchisees. We agree to exert our best efforts to notify you within ten (10) business days after the later of: (1) our receipt of a complete application, financial statement, and other materials regarding the Applicant; or (2) our personal interview of the Applicant, if any. We will determine whether the Applicant possesses sufficient financial and managerial capability and meets other criteria we then use in the grant of franchises. We may refuse to grant a franchise to an Applicant if we so choose.

5. INITIAL TERRITORY FEE

A. Initial Territory Fee. You will pay us an initial territory fee of $__________ ("Initial Territory Fee") less any deposit paid in consideration for your appointment as an area director within the Territory. You will pay the Initial Territory Fee upon execution of this Agreement. The Initial Territory Fee is fully earned by us upon receipt and is nonrefundable once paid. You acknowledge that the Initial Territory Fee does not include payment of any initial franchise fees for individual Restaurants.

B. Advertising Deposit. You will pay us an advertising deposit of $3,500 ("Advertising Deposit") to develop and conduct national, regional, and local advertising, marketing, promotional and public relations campaigns and to provide other marketing and advertising support as we determine necessary in our sole discretion. You will pay the Advertising Deposit upon execution of this Agreement and is not refundable.

6. PAYMENTS TO AREA DEVELOPER

A. Sales Services Commissions and Conditions of Payment. During the Term, we will pay you a commission, as described below, based on a percentage of Initial Franchise Fees Franchisees pay for the purchase of Restaurant franchises to be located within the Territory ("Sales Services Commission"), provided each of the following conditions have been satisfied ("Franchise Sales Conditions"):

1. Franchisee signs a Franchise Agreement with us, we have received an Initial Franchise Fee from the Franchisee and there are no outstanding contingencies respecting Franchisee's obligations under the Franchise Agreement. We will not be deemed to have received any fees paid into escrow, if applicable, until such fees actually have been remitted to us;

2. the sale for which the Initial Franchise Fee has been paid is not a resale of any existing Restaurant or any interest in such a Restaurant; and

3. you have performed the Sales Services respecting the Restaurant franchise for which you seek a commission and have complied with all of your other obligations under this Agreement respecting such sale and has verified the same to us in writing in a form we direct; provided that you will not be entitled to any Sales Services Commission respecting Restaurants established in the Territory for which you provided no Sales Services.

B. Sales Services Commission Payments. During the Term, we will pay you Sales Services Commissions in an amount equal to twenty percent (20%) of the total Initial Franchise Fees paid to us. Sales Services Commissions will be payable to you within twenty eight (28) days after the Franchise Sales Conditions have been satisfied. However, if we are involved in the sales process and perform some or all of the Sales Services, as we determine, for the applicable franchise, you will only receive ten and percent (10%) of the Initial Franchise Fee paid to us. You will not receive any Sales Services Commissions: (1) for Restaurants we or our Affiliates own and operate ("Company Owned Restaurants") in the Territory; (2) for Restaurants developed in those Captive Market Locations described in Section 2(D)(2)(iv) above; (3) if the Franchise Sales Conditions for any Restaurant franchise have not been satisfied as provided in Section 6(A) above; or (4) for the first Restaurant the Operating Company develops in connection with this Agreement.

C. Site Services Commissions. During the Term, we will pay you a commission in an amount equal to twenty percent (20%) of the total Initial Franchise Fees paid to us ("Site Services Commission"), payable within twenty eight (28) days after a Franchisee's Restaurant opens, provided you have completed the Site Services described in Section 9(D) and the opening team services described in Section 9(E). You will not receive Site Services Commissions for: (1) Company Owned Restaurants located in the Territory; (2) for Restaurants developed in those Captive Market Locations described in Section 2(D)(2)(iv) above; or (3) for franchised Restaurants within the Territory for which we, and not you, have performed such Site Services. All of these Restaurants, however, will count toward fulfillment of the Development Quota.

D. Commissions on Transfers of Franchises. If, during the Term, a Restaurant located within the Territory or an interest in the Restaurant is resold to a different Franchisee approved by us and the sale results in the payment of a transfer fee, we will pay you a commission in the amount of fifty percent (50%) of the transfer fee we actually receive, payable within twenty eight (28) days after the completion of the transfer, provided we will not be deemed to have received any fees paid into escrow, if applicable, until such fees actually have been remitted to us.

E. Royalty Fee Commissions. We will pay to you within twenty eight (28) business days after the end of each four (4) week period we determine, forty percent (40%) of the royalty fees (which excludes advertising fees and any fees generated from the activities described in Section 2(D)) we actually receive from each Franchisee located in the Territory during the applicable period under their Franchise Agreement ("Royalty Fee Commission"). You will not receive Royalty Fee Commissions: (1) for Company Owned Restaurants located in the Territory; or (2) for Restaurants developed in those Captive Market Locations described in Section 2(D)(2)(iv) above. However, you may earn Royalty Fee Commission from Restaurants in Captive Market Locations if your Territory includes Captive Market Locations. All such payments will be accompanied by a report we prepare. Notwithstanding the foregoing:

1. If you failed to conduct the periodic inspections described in Section 9(F) and to file a written report, or failed to perform in any material respect, respecting one (1) or more Franchisees located in the Territory, the other services described in Section 9 to be provided to Franchisees located in the Territory during any applicable month, within fifteen (15) days after such reports or services should have been provided, you will not be entitled to receive Royalty Fee Commission respecting such Franchisees for the period during which reports or services were not provided; and

2. You will be entitled to share in or receive Royalty Fee Commission on any Restaurants we own or control (at least a 50% ownership) in the Territory.

F. Commissions After Termination. All payments under this Section 6 will immediately and permanently cease upon the expiration or termination of this Agreement. You will receive all amounts which have accrued to you as of the effective date of such expiration or termination.

G. Application of Payments. Our payments to you will be based on amounts actually collected from Franchisees, not on payments accrued, due, or owing. If a Franchisee is entitled to the return of all or part of the initial franchise fee or Royalty Fee Commission upon termination of the Franchise Agreement (or if we become legally obligated or decides to return part or all of the initial franchise fee or Royalty Fee Commission), we may deduct the portion of the amount to be returned to Franchisee in the same proportion as you shared in the initial franchise fee or Royalty Fee Commission from any future amounts owed you. We will apply any payments received from a Franchisee to any past due indebtedness of that Franchisee for royalty fees, advertising contributions, purchases from us or our Affiliates, interest, or any other indebtedness of that Franchisee to us or our Affiliates. To the extent that such payments are applied to a Franchisee's overdue royalty fee payments, you will be entitled to your pro rata share of such payments, less your pro rata share of the costs of collection paid to third parties.

H. Setoffs. You will not be allowed to set off amounts owed to us for fees or other amounts due under this Agreement against any monies we owe you. We will be allowed to set off against amounts owed to you for commissions or other amounts due under this Agreement any monies you owe us, including setting off amounts owed to you against monies owed to us for commissions on Sales Services which were paid to you before Franchisee failed to successfully complete our initial training program.

7. TRAINING AND OPERATING ASSISTANCE

A. Area Developer Training. We will provide, and you (or, if you are a partnership, corporation, or other business entity, an individual you designate owing at least twenty-five percent (25%) of the ownership interest in you and who we have approved, who will be designated as the "Managing Owner") will attend, and complete to our satisfaction, our initial training program for Franchisees and such further training as we deem advisable, which may include topics such as marketing, franchise sales, franchise law compliance, site selection, and Restaurant operations. We will provide this training (referred to as the "AD Training Program") at such place and time as we designate. You also may designate one additional member of your management staff (the "Operating Manager"), who may attend initial training at no additional charge. The AD Training Program must be completed before you provide services to Franchisees or prospective Franchisees, as generally described in Section 2(A) above.

B. Length of Training. We will determine the appropriate length of the portion of the AD Training Program applicable only to AD Businesses, which will be in addition to the initial training program applicable to Franchisees. Other than the Initial Territory Fee, no tuition or fee will be charged for the AD Training Program, although you will be responsible for all travel and living expenses incurred in connection with attendance at both parts of the AD Training Program. We and you will equally share the cost associated with third party training that is required by law and that we approve.

You (or the Managing Owner) may request additional training during the AD Training Program, to be provided at no additional charge, if you (or the Managing Owner) do not feel sufficiently trained in the operation of an AD Business. The additional training may take the form of on-the job training including site visits, phone consultations and other support, as we deem necessary. If you (or the Managing Owner) satisfactorily complete the AD Training Program, and do not inform us in writing at the end of the AD Training Program that you (or the Managing Owner) do not feel sufficiently trained, you will be deemed to have been trained sufficiently to operate the AD Business.

C. Additional Training. The AD Training Program will be made available to replacement or additional Operating Managers and other management personnel during the Term. You agree that you will have at least one person who has satisfactorily completed the AD Training Program on staff at all times during the Term. You will be responsible for all travel and living expenses your personnel incur in attending the AD Training Program. Further, the availability of the training programs will be subject to space considerations and prior commitments to new Franchisees and Hot Head Burritos® area developers. You will be responsible for any costs associated with required training provided by third parties, including training required by federal, state or local law and training we require in connection with the safety and sanitation of the Restaurant.

D. Seminars and Ongoing Training. We periodically may present seminars, conventions, or continuing development programs for your benefit. In addition, we periodically will host calls, virtual meetings and in-person meetings. You (or the Managing Owner) and your Operating Manager must attend any ongoing mandatory seminars, industry conventions, meetings, or programs we offer. We will not charge a fee for these seminars, meetings, and programs. If you fail to attend a mandatory seminar, convention, meeting, or program without obtaining our prior written approval and fail to arrange for attendance at an alternate time, you must make up the missed program at a time and place we designate. We will give you at least thirty (30) days' prior written notice of any seminar, convention, meeting, or program that is deemed mandatory. We will not require that you attend any in-person ongoing training more often than five (5) times per calendar year, but there is no limit on your obligation to attend calls or virtual meetings. You will be responsible for all travel and living expenses associated with attendance at any ongoing training programs.

E. Area Developer Manual. We will loan to you during the Term one (1) copy of, or electronic access to, the Area Developer Manual to assist you and your employees in conducting the Business. We may prescribe mandatory and suggested standards and operating procedures for you in the Area Developer Manual, which we periodically may modify and further develop. 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. You will keep your copy of the Area Developer Manual current. In the event of a dispute relating to the Area Developer Manual, our master copy controls. You may not at any time copy any part of the Area Developer Manual unless we approve in writing. If your copy of the Area Developer Manual is lost, destroyed or damaged, you must obtain from us, at our then applicable charge, a replacement copy of the Area Developer Manual. The Area Developer Manual and other writings communicated to you will constitute material provisions of this Agreement as if fully stated within its text.

F. Operating Assistance. We will make available the following services during the Term:

1. Upon your reasonable request, telephone and electronic media consultation regarding advice related to franchise sales, Franchisee support, and assistance; and

2. Access to franchise sales advertising and promotional materials we develop, the reasonable cost of such materials which may be passed on to you at our option.

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. 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 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 only as we direct. You must identify yourself as the independent owner of the Business 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 any 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 franchises, 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 the Business; (4) use any e-mail address which we have not authorized for use in operating the Business; 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. YOUR OBLIGATIONS AND OPERATING STANDARDS

A. Hiring and Training of Your Employees. You will be solely and exclusively responsible for (i) hiring all of your employees, (ii) supervising such employees and for the terms and conditions of their employment including compensation, scheduling, benefits, disciplining, and all other personnel decisions respecting your employees without any influence or advice from us, and (iii) training your employees to enable you to operate the Business. You acknowledge and agree that all personnel decisions, including hiring, firing, disciplining, compensation, benefits, and scheduling, shall be made by you, without any influence or advice from us, and such decisions and actions shall not be, nor be deemed to be, a decision or action of ours. Further, it is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason. If we incur any cost, loss, or damage as a result of any actions or omissions of you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for such loss. You will comply with all applicable employment and wage and hour laws and regulations.

B. Commencement of Business. Unless we otherwise agree with you in writing, you have sixty (60) days from the Effective Date within which to complete the AD Training Program and commence operating the Business. We will extend the time within which you must commence operations for a reasonable period of time, if factors beyond your reasonable control prevent you from meeting this schedule, so long as you have used your continuing best efforts to comply and you timely request in writing an extension of time in which to commence operating the Business. Your obligations, including Sales Services, will commence as of the date you are required to commence operating the Business as described above. You also will, at your expense, purchase or otherwise obtain for use in the Business: (i) computer hardware and computer software that comply with our standards and specifications; (ii) an office serviced by a minimum of one dedicated telephone line with 24-hour professional answering service or voice mail; (iii) a facsimile machine with its own dedicated telephone line; (iv) an Internet connection and email address approved by us; (v) business cards and stationery; and (vi) any other items required by the Area Developer Manual.

C. Sales Services. You will solicit and identify prospective Franchisees for Restaurants to be located within the Territory.

D. Site Services. You will perform the following Site Services for us respecting Franchisees of Restaurants to be located in the Territory (unless we indicate otherwise respecting such Franchisees for whom we will perform such services):

1. Assist with Restaurant location selection for each Franchisee, which will consist of providing each Franchisee with criteria for a satisfactory site and assisting each Franchisee in

completing a site submittal package (containing such demographic, commercial, and other information as we may reasonably require) for each location at which Franchisee proposes to establish and operate a Restaurant, assist in negotiating lease terms, and coordinate the work of contractors and architects respecting the development of each Restaurant;

2. Provide standards and specifications for the build out, interior design, layout, floor plan, signs, designs, color, and decor of the Restaurant as we periodically direct; and

3. Submit completed forms and reports to us as we periodically direct, including site selection and pre-opening assistance forms and reports related to leases and construction.

E. Pre-Opening and Opening Support Services. You will perform the following pre-opening and opening Support Services on our behalf to Franchisees for each Restaurant located in the Territory:

1. Advice. You will advise the Franchisee regarding the standards and specifications for the equipment, supplies, and materials used in, and the menu items offered for sale by, the Restaurant and advice regarding selecting suppliers for purchasing items used in connection with the Restaurant;

2. The Opening Team Requirement.

(a) The Opening Team. You will provide at least two (2) "Opening Team Workers" to participate in an "Opening Team" at each new franchised Restaurant that opens in the Territory, in connection with which you have or will receive any commissions (a "Qualifying Restaurant"). Unless we waive or modify such requirement in writing, an Opening Team will consist of up to a total of two (2) Opening Team Workers, who will spend a minimum of five (5) consecutive calendar days assisting in the opening and initial operation of each Qualifying Restaurant in the Territory. We have the right to change the standard makeup of the Opening Team in the future. Each Opening Team Worker you supply must be an employee of yours or the Operating Company and must, before serving on an Opening Team, have been successfully certified by us as an Opening Team member and completed any additional training component that we require or a training program administered by you and approved by us. If you cannot provide two (2) Opening Team Workers, we may provide one or more of these individuals for you, in which event the Site Services Commission will be reduced by fifty percent (50%) and we will only pay you a Site Services Commission equal to ten percent (10%) of the total initial franchise fee paid to us for that Restaurant.

(b) Unprepared for Opening. The Opening Team Workers will determine, in accordance with the Area Developer Manual, whether the Franchisee is prepared to open the Restaurant. If, in the Opening Team Workers' reasonable judgment, the Opening Team Workers believe the Franchisee is not prepared to open the Restaurant, the Opening Team Workers will promptly notify us. We, the Opening Team Workers, and Franchisee will develop a schedule by which the Restaurant will open.

(c) Your Opening Team Workers. Any Opening Team Workers you provide will at all times remain, as applicable, an employee or independent contractor of you or the Operating Company and will not be deemed an employee, contractor, agent, or servant of us. In addition, you will be solely responsible for all independent contractor or employment matters related to any Opening Team Worker you provide, including payment of all compensation, benefits, federal, state or local employment taxes, worker's compensation insurance, state disability, unemployment compensation and benefits, travel costs, living expenses, or any other costs associated with such Opening Team Workers. Nothing in this Agreement is intended to, nor does it actually, create an independent contractor or employment contract between us and any Opening Team Worker you provide, nor does this Agreement make us a joint employer with you respecting your employees.

(d) Compliance with Laws. You will comply with all federal, state, and local laws applicable to any Opening Team Workers you provide, including all independent contractor, employment, nondiscrimination, equal opportunity, and/or labor laws. Without limiting the foregoing, you also will be solely responsible for all wage and hour compliance involving any Opening Team Worker you provide.

(e) Background Checks. Before assigning any individual to serve on the Opening Team, you will perform screening and background checks on such individuals in compliance with all applicable federal, state, and local laws.

(f) Your Indemnification. In addition to your indemnification obligations under Section 18(B) below, you further agree to indemnify and hold us and our subsidiaries, Affiliates, stockholders, members, directors, officers, employees and agents (collectively, the "Indemnified Parties") harmless against any and all suits, actions, proceedings, claims, inquiries, settlements, sanctions, awards, damages (actual or consequential), losses, taxes of any kind, penalties, liabilities and all reasonable costs and expenses of defending any claim or action brought against any of them (including reasonable attorneys' fees, and related costs and other litigation expenses, and travel and living expenses), which any of them may suffer or incur arising from or in connection with any action or omission involving any Opening Team Worker you provide, unless (and then only to the extent that) the loss, liability, taxes, damages, and reasonable costs and expenses are determined to be caused solely by the Indemnified Party's gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. Each Indemnified Party will have the right to defend any such claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect following the expiration or termination of this Agreement.

3. Marketing Support. You will provide guidance in implementing advertising and marketing programs, operating and sales procedures, and bookkeeping and accounting programs.

F. Ongoing Support Services. You will perform the following ongoing Support Services on our behalf to Franchisees for each Restaurant located in the Territory:

1. Upon the reasonable request of a Franchisee, provide telephone or electronic media consultation regarding the operation and management of the Restaurant and advice regarding restaurant services, product quality control, menu items, and customer relations issues;

2. Assist us in communicating to Franchisees in the Territory all on-going updates of information and programs regarding menu items and their preparation, the Restaurant business, and the Business System, including information concerning our special or new services. We initially will communicate all updates and changes to Franchisees by our newsletter;

3. Assist us in communicating to Franchisees in the Territory advice and assistance to Franchisee in connection with developing and improving Franchisee's Restaurant;

4. Conduct at least one (1) quality assurance inspection using the inspection form and criteria we periodically develop and designate (or reinspection in the case of a failed first inspection) of each Restaurant in the Territory every month in the manner we periodically require; provided that, for any Restaurant that is not in compliance, you will conduct weekly inspections until such time that the Restaurant has successfully received two (2) consecutive weekly reports that it is in compliance. All such inspections must be verified by written reports in a form acceptable to us and must be conducted by the Managing Owner or another of your representatives that we approve;

5. Provide access to advertising and promotional materials we periodically develop;

6. At our written request, establish one or more advertising cooperatives for Restaurants located in the Territory using forms and procedures we supply. If a cooperative is formed, all Restaurants we or our Affiliates own in the Territory (or portion thereof) will be required to join and participate in such cooperative;

7. At our written request, assist us in connection with any assignment of franchise rights involving a Franchisee in the Territory; and

8. Submit periodic reports to us on activities in the Territory using procedures and forms we provide.

G. Dealings with Franchisees. You acknowledge that we have delegated to you certain of our responsibilities under the Franchise Agreement to Franchisees in the Territory. Your responsibilities to Franchisees will be described in this Agreement or in the Area Developer Manual or as we otherwise periodically may provide. In providing services to Franchisees, you will comply with the terms and conditions of any Franchise Agreement or other agreement in effect between Franchisees and us. You understand, however, that your rights as an area developer are only derived from this Agreement and that you are not a party, third party beneficiary, or holder of any other right or title to or interest in any Franchise Agreement. Similarly, no Franchisee is a third party beneficiary of this Agreement or any other agreement between us and you. You agree that you may not under any circumstances sell any products or other items to, or collect any money for any reason from, Franchisees without our prior written consent.

H. Your Inspections. You will ascertain through field audits, reviews, and inspections that each Franchisee in the Territory has complied satisfactorily with all provisions of the Franchise Agreement, specifications, standards, operating procedures, and the Area Developer Manual, and will promptly notify Franchisee in writing, with a copy and evaluation report to us, of any deficiencies; provided, however, you understand and acknowledge that your inspections and reports are advisory only and that we will have: (1) all of the rights to inspect and ascertain compliance of all Franchisees as if this Agreement were not in effect; (2) the sole right to send notices of default to Franchisee; (3) the sole right to terminate a Franchise Agreement for failure to cure such defaults (if an opportunity to cure is granted); and (4) the sole right to take any legal action respecting any violation of a Franchise Agreement. If you believe that any Franchisee in the Territory has breached a Franchise Agreement with us, you will document in writing all facts related to the alleged breach and request in writing that we investigate such alleged breach. If, as a result of our investigation, we determine that a Franchisee has breached its Franchise Agreement with us, we may take such action as we deem appropriate.

I. Standards of Service. You will at all times give prompt, courteous, and efficient service to Restaurant Franchisees in the Territory. You will, in all dealings with Franchisees, prospective Franchisees, and the public, adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You will participate in any form of electronic communication we designate, including email, texting, and instant messaging. You must actively maintain and check your Hot Head Burritos® email address and texts, and you must respond to us, all Franchisee, prospective Franchisee, customer, supplier, and others' comments, questions, complaints, or other correspondence (via any medium including oral, handwritten, electronic mail, other electronic correspondence, or on social media websites) in accordance with the Area Developer Manual.

J. Compliance with Laws and Good Business Practices. You will secure and maintain in force all required licenses, permits, and certificates relating to your activities under this Agreement and operate in full compliance with all applicable laws, ordinances, and regulations. 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 acknowledge being advised that many jurisdictions have enacted laws concerning the advertising, sale, renewal and termination of a franchise agreement, including laws concerning franchise disclosure requirements. You agree promptly to become aware of, and to comply with, all such laws and legal requirements in force in the Territory and to use only disclosure documents that we have approved for use in the applicable jurisdiction. If your activities require you separately to register in the Territory as a subfranchisor or as a broker, you will prepare the necessary documents and file the application at your expense. You must notify us immediately of any suspected data breach at or in connection with any Restaurant Franchisees in the Territory or with your AD Business.

K. Accuracy of Information. Before you offer or sell any franchise, you will each time take reasonable steps to confirm that any information (that relates to you) that is contained in any written materials, agreements, and other documents related to the offer or sale of franchises is true, correct, and not misleading at the time of such offer or sale and that the offer or sale of such franchise will not at that time be contrary to or in violation of any applicable state law related to the registration of the franchise offering. We will provide you with any changes to our FDD and other agreements on a timely basis and, upon request, provide you with confirmation that the information contained in any written materials, agreements, or documents you use is true, correct, and not misleading, except for information specifically relating to disclosures regarding you. If you notify us of an error in any information in our documents, we will have a reasonable period of time to attempt to correct any deficiencies, misrepresentations, or omissions in such information.

L. Notification of Litigation. You will notify us in writing within five (5) days after the commencement of any action, suit, arbitration, proceeding, or investigation, or the issuance of any order, writ, injunction, award, or decree, by any court, agency, or other governmental instrumentality, which names you (or the Managing Owner) or otherwise, concerning the operation or financial condition of you, the Business, or any Franchisee.

M. Ownership and Management of Business. The Business will at all times be under the direct, day-to-day, full-time supervision of you (or the Managing Owner). You will at all times during the Term own and control the Business. Upon our request, you will promptly provide satisfactory proof of such ownership. You represent that the Statement of Ownership, attached hereto as Exhibit B is true, complete, and not misleading. You will promptly provide us with written notification if the information contained in the Statement of Ownership changes at any time during the Term and comply with the applicable transfer provision contained in Section 14. If you are not an individual, each Principal Owner must sign the Guaranty and Assumption of Obligations attached hereto as Exhibit C.

N. Conflicting Interests. You will at all times faithfully, honestly, and diligently perform your obligations under this Agreement and continuously exert your best efforts to promote, enhance, and service Restaurants in the Territory. You will not engage in any other business or activity, directly or indirectly, or otherwise may conflict with our obligations under this Agreement, without our prior written approval.

O. Insurance. You will at all times during the Term maintain in force, at your sole expense, comprehensive general liability insurance with minimum limits of $2,000,000 per occurrence and $4,000,000 aggregate, or other amounts, and with such terms and conditions as we periodically may direct in the Area Developer Manual or otherwise. All of the required insurance policies will name us and our Affiliates, and their respective officers, directors, and employees as additional insureds, contain a waiver of the insurance company's right of subrogation against us and the designated Affiliates, provide that we will receive thirty (30) days' prior written notice, of termination, expiration, cancellation, or modification of any such policy, and, as applicable, included primary and non-contributory endorsement or language in form and content as were periodically require. You will provide us copies of the certificates of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least 2 weeks before you begin your Business operations and at such other times as we may require. In addition, you will provide us a copy of the evidence of the renewal or extension of each insurance policy in a form we require. We may change the types, amounts, and terms of insurance that you are required to maintain upon written notice to you. In the event of any lapse in insurance coverage, we will have the right, in addition to all other remedies, to demand that you cease operating the Business until coverage is reinstated or, in the alternative, to pay any delinquencies in premium payments and charge the same back to you. 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.

P. Advertising in Territory. To advertise for prospective Franchisees in the Territory, you are required to spend a monthly minimum amount equal to One Thousand Dollars ($1,000). You will provide us an accounting of the amounts spent on advertising within 30 days following the end of each quarter following the date of this Agreement.

Q. Approval of Advertising. You will submit to us for approval (which approval will not be unreasonably withheld) samples of all advertising and promotional materials that we have not prepared or previously approved. You will not use any advertising or promotional materials that we have not approved or have disapproved. You acknowledge and understand that certain states require the filing of franchise sales advertising materials with the appropriate state agency before publication. You agree fully and timely to comply with such filing requirements at your own expense unless we have previously filed such advertising with the state. We and you will share equally in the costs we incur for printing advertising and marketing materials we supply to you at your request. In addition, we and you will share equally in the cost of participating in any trade shows in the Territory that we approve.

10. RECORDS AND REPORTS

A. Accounting, Bookkeeping and Records. You will maintain at the Business premises in the Territory all original invoices, receipts, checks, contracts, licenses, acknowledgment of receipt forms, and bookkeeping and business records we periodically require. At our request, you will furnish to us, within one hundred twenty (120) days after the end of your fiscal year, a balance sheet and profit and loss statement for the Business for such year (or monthly or quarterly statement if we require, in which case such statements also will reflect year-to-date information). In addition, upon our request, within ten (10) days after such returns are filed, you will provide us with exact copies of federal and state income, sales, and any other tax returns and such other forms, records, books, and other information as we periodically require regarding the Business. You will maintain all records and reports of the Business for the longer of three (3) years or two (2) years after the date of termination or expiration of this Agreement.

B. Reports. You will, as often as we require, deliver to us a written report of the activities of the Business during such period required in Sections 9(D), 9(F) and 9(P) in such form and detail as we periodically may specify, including information about efforts to solicit prospective Franchisees, the status of pending real estate transactions, and the status of the Restaurants in the Territory. You will, as often as we require during the Term, deliver to us the quality assurance inspection reports required in Section 9(F) for each Franchisee in the Territory in such form and detail as we periodically may specify.

11. INSPECTIONS AND AUDITS

To determine whether you are complying with this Agreement, we or our designee will have the right at any time during normal business hours to enter the premises in which you then are keeping your business records and inspect, and conduct an audit of, the business records, bookkeeping and accounting records, invoices, payroll records, time cards, check stubs, bank deposits, receipts, sales tax records and returns, and other business records and documents of the Business. You and your employees will fully cooperate with our representatives conducting any such inspection or audit.

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 Business 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 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; (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 your employees; and (5) 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. You agree that any franchisee data is Confidential Information. During the Term, we and you will have joint ownership of the franchisee data related to your Business, but you will cease using such data when this Agreement expires or terminates. We will periodically establish policies regarding such data.

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 and additions relating to the development, operation and/or support of a Restaurant, an AD Business or the Business System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of a Restaurant, or any advertising or promotion ideas related to a Restaurant (collectively, the "Improvements") that you, the Principal Owners or your employees or agents conceive or develop during the Term. 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 Business without our prior written consent.

C. Trade Secrets. You understand and agree that you will come into possession of certain of our trade secrets concerning the manner in which we conduct business including, but not necessarily limited to: recipes and formulas; methods of doing business or business processes; strategic business plans; customer lists and information; marketing and promotional campaigns; and any materials clearly marked or labeled as trade secrets. You agree that the forgoing information, which may or may not be considered "trade secrets" under prevailing judicial interpretations or statutes, is private, valuable, and constitutes trade secrets belonging to us. You agree that we derive independent economic value from the foregoing information not being generally known to, and not being readily ascertainable through proper means by another person. You agree to take reasonable measures, as may de described further in the Area Developer Manual, to keep such information secret. Upon termination of this Agreement, you will not use, sell, teach, train, or disseminate in any manner to any other person, firm, corporation, or association any trade secret pertaining to our business and/or the manner in which it is conducted.

D. Artificial Intelligence. You will not, without our prior written consent, utilize any generative artificial intelligence software, tools, or technologies, including, natural language processing, deep learning algorithms, or machine learning models (“Generative AI”) directly or indirectly in the operation of the AD Business, including without limitation, in advertising, promotion, or marketing of the Restaurant, AD Business or the Business System, communications with customers, business planning, analysis or optimization, or in any social media. You acknowledge and agree not to upload or share any Confidential Information (including any inputs of information containing trade secrets, sensitive confidential information or personal information) with any unapproved third-party platforms, including Generative AI, except as authorized in writing by us. In addition, you shall prohibit your employees from using any Confidential Information in Generative AI. In the event you utilize any Generative AI, with or without our prior approval, you shall comply with all laws applicable to such use, including without limitation, all trademark, copyright, and biometric laws, and shall not infringe upon the intellectual property of a third party, or use such intellectual property without appropriate authorization and attribution.

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 Territory and Business 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 Business, 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 C, 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. Exclusive Relationship. We have entered into this Agreement with you on the condition that you will deal exclusively with us. You acknowledge and agree that we would be unable to protect the Confidential Information or to encourage a free exchange of ideas and information among area developers and us if area developers were permitted to hold interests in any competing business as more fully described below. You therefore agree that, during the Term, neither you nor any of your shareholders, members, owners or partners who participate in the management of the Business, nor, if applicable, the Managing Owner nor the Operating Manager, will violate any of Sections 13(B), (C) or (D) below.

C. Covenant Not to Compete During Term. You (and each Principal Owner and the Operating Manager) will not, during the Term, 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 Franchisee, prospective Franchisee, business or customers of the Business 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, provide franchise sales or operational services to, or assist any person or entity engaged in any business (including any e-commerce or Internet-based business) that distributes, sells, grants franchises respecting 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 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 (or your Affiliates) and us.

D. Post-Term Covenant Not to Compete. You (and each Principal Owner) 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 Business, 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 Franchisee, prospective Franchisee or any other business or customers of the Business 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, provide franchise sales or operational services to, or assist any person or entity engaged in any business that operates, grants franchises respecting or distributes or sells, at wholesale or retail, burritos, tacos, nachos, quesadillas, salsas, or other Mexican food products, or any other related business that is competitive with or similar to a Restaurant or any wholesale or retail business we then may operate relating to the sale of any Products that is located in the Territory or within the territory of any other then existing Hot Head Burritos® area developer or one of our Affiliates; provided, however, that this Section 13(D) will not apply to: (i) Restaurants that you or the Operating Company operate under separate 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 Restaurant will be in violation of this provision if such e-commerce business or website offers, sells, attempts to grant franchises to or otherwise makes its products or services available to individuals residing within or businesses located within the Territory or the designated territory of any other then-existing Hot Head Burritos® area developer or one of our Affiliates. 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 Business provided: (1) you or the Operating Manager actively manage the Business; (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 C; (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 area developer rights under this Agreement in reliance on 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, the Business, substantially all or all of the assets of the Business, 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 (or the Operating Company) 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® area developers, possesses a good business reputation and

credit rating, and has the aptitude and ability to conduct the 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, and give the transferee copies of any reports that you have given us or we have made regarding the Business;

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 the Term or, at our option, signs our then-current standard form of area developer agreement (which will provide for a term equal to the remaining Term of this Agreement, and may provide other rights and obligations that are materially different from those provided in this Agreement);

4. the transferee and the new Operating Manager successfully complete the AD Training Program required of new area developers;

5. you pay us, in lieu of any Initial Territory Fee, a transfer fee equal to ten thousand dollars ($10,000). In addition, we may require you to reimburse us for legal fees we incur to process the transfer;

6. 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;

7. 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 cannot include purchase terms which are so burdensome as to adversely affect the transferee's business as an area developer; and

8. 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(C), and may do so in the Area Developer Manual or otherwise in writing.

D. Death or Disability. If you (or the Managing 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(s), including the AD 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 Owner) die or are permanently disabled, your executor, administrator, or other personal representative must transfer your interest within a reasonable time, not to exceed six (6) 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. Our Right of First Refusal. If you or your Principal Owners at any time desire to sell or assign for consideration the Business, 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 Business 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.

F. 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 C (the "Guaranty Agreement"). We will also require the spouse of any Principal Owner to sign the Guaranty Agreement. Any person or entity that at any time after the Effective Date becomes a Principal Owner 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 Agreement – Grounds. You will be in default, and we may, at our option, terminate this Agreement, as provided herein, if:

1. you or any of your Principal Owners, officers, directors or the Operating Manager fail to satisfactorily complete the AD Training Program or fail to commence operating the Business within ninety (90) days following the Effective Date;

2. you or any of your Principal Owners, officers, directors or the Operating Manager makes any material misrepresentation or omission in your application to be an area developer or in operating an AD Business;

3. you or any of your Principal Owners, officers, directors or the Operating Manager fail to comply with any requirements under the federal and state franchise laws, including communicating to any prospective Franchisee any information or presentation which states or suggests a specific level or range of potential or actual sales, income, gross or net profits, unless that information or presentation is identical to that contained in our FDD and other disclosure documents;

4. you fail to satisfy the Development Quota for any stated Sales Year;

5. you violate any material provision or obligation of this Agreement;

6. you or any of your Principal Owners, officers, directors or the Operating Manager 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;

7. you fail to conform to the material requirements of the Business System or the material standards of uniformity and quality for the Sales Services, Site Services or Support Services as described in Section 2(A) above, in the Area Developer Manual or as we otherwise have established under the Business System;

8. you are insolvent within the meaning of any applicable state or federal law or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);

9. 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;

10. you voluntarily or otherwise "abandon" the Business. The term "abandon" means your failure to operate the Business for a period of sixty (60) consecutive calendar days or any shorter period that indicates your intent to discontinue operating the Business without our prior written consent unless such failure is due to an event of "*force majeure*" as further described in Section 20(K) below;

11. 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;

12. you or a Principal Owner makes an unauthorized assignment or transfer of this Agreement, the Business or an ownership interest in you;

13. you fail to pay any amounts due us or our Affiliates under any agreement after receiving notice that such fees or amounts are overdue;

14. the Operating Company fails to operate at least one (1) Restaurant for a period of ninety (90) consecutive calendar days at any time following the initial six (6) month period following the Effective Date and throughout the balance of the Term; or

15. you willfully and materially falsify any report, statement, or other written data furnished to us either during the application process or after you have been appointed a special agent; or

16. you make an unauthorized disclosure of any confidential negotiated terms of this Agreement.

B. Procedure. Except as described below, you will have thirty (30) days 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. You will have thirty (30) days after your receipt from us of a written Notice of Termination to remedy any default under items (4) and (13) in Section 15(A) above and to provide evidence thereof to us. You will have seventy-two (72) hours after you receive from us a written Notice of Termination to remedy any default under item (11) in Section 15(A) above, if curable, and to provide evidence thereof to us. If you fail to correct the alleged default within the applicable period of time stated above, this Agreement will terminate without further notice to you, effective immediately when the stated 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; or (3) any default under items (2), (3), (6), (8), (9), (10), (12), (15) or (16) in Section 15(A) above.

C. Reduction of Commissions, Termination of Certain Territory Rights. In addition to our rights to terminate this Agreement as described in Sections 15(A) and (B) above, (i) if you are in default under Section 4(A) of this Agreement, we may reduce or cease paying some or all Royalty Fee Commissions paid to you under this Agreement until such time you have cured the default(s), and/or if you are in default under this Agreement for any reason, we may terminate your rights in the Territory described in Section 2(C) above without terminating this Agreement, effective thirty (30) days following delivery of notice of termination to you. If we terminate your rights under Section 2(C) above, your rights to assist in the offer of franchises for, and to develop, support, and provide services to, Restaurants under this Agreement will continue on a non-exclusive basis. We will have the right in the Territory without restriction, however, to: (i) establish and license other area developers continue on a non-exclusive basis to assist in the offer of franchises for, and to develop, support and provide services to Restaurants; or (2) franchise others to operate or directly operate Restaurants in the Territory without compensation to you. To the extent we terminate your rights as described in this Section 15(C), you will not be entitled to: (i) Sales Service Commissions respecting Restaurant franchises we sell with the assistance of other area developers; or (ii) Site Service Commissions and commissions on franchise transfers and royalty fees respecting any Restaurant opened following the termination of your rights hereunder to the extent another area developer performs services for the Franchisee of such Restaurant.

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 ninety (90) 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. You must comply with all post-term obligations if you elect to terminate this Agreement.

17. YOUR OBLIGATIONS UPON TERMINATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason (whether pursuant to Sections 15 or 16), you will:

1. not, directly or indirectly, at any time or in any manner (except respecting Restaurant franchises you own through the Operating Company or an Affiliate), identify yourself or any business as a current area developer or our authorized agent, or use any Mark or any confusingly similar trademarks or service marks or other indicia of a Restaurant;

2. within ten (10) days after termination, pay all amounts due and owing to us or our Affiliates;

3. discontinue using, and return to us by priority United States mail with a tracking number, any hard copies of the Area Developer Manual and any other manuals, advertising materials, forms, FDDs, franchise sales brochures, and all other materials containing any Mark or otherwise identifying or relating to the sale or service of Restaurants or the operation of the Business;

4. assign to us or, at our discretion, disconnect the telephone number for the Business and notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone number and any regular, classified, or other telephone directory listings associated with any Mark and to authorize their transfer to us or our designee. You acknowledge that we have the sole right to and interest in all telephone and facsimile machine 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. to immediately deliver to us all past and present franchise sales leads and records and all contracts, acknowledgments of receipt, and other information and records related to Franchisees or prospective Franchisees in the Territory;

6. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;

7. not communicate in any manner with Franchisees concerning us or obligations arising from this Agreement or the Franchise Agreement, except as we expressly authorize;

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 (except as necessary for the Operating Company or an Affiliate to operate Restaurants pursuant to a Franchise Agreement with us); and

10. comply with all other applicable provisions of this Agreement, including the post-termination covenant and all other covenants in Section 13 above.

B. No Further Right to Payment. Upon expiration or termination of this Agreement, you will have no further right to receive payment of commissions, including Royalty Fee Commissions, from us, except for those Royalty Fee Commissions which you have fully earned up through the date of expiration or termination. For purposes of this Agreement, “fully earned” Royalty Fee Commissions means those Royalty Fee Commissions which accrue up through the date of expiration or termination which are otherwise owed to you. We will have the right immediately to assume control of and manage all franchise sales in the Territory and to receive all royalty fees from Franchisees in the Territory. Any fully earned Royalty Fee Commissions which are due to you will be paid pursuant to the provisions of Section 6.

C. 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

A. Relationship of the Parties. We and you are independent contractors. Both we and you acknowledge that this Agreement does not create a fiduciary relationship between us, that we appointed you as our special agent for a particular purpose, and that nothing in this Agreement is intended to make either party a general agent, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose. Neither we nor you will make any express or implied agreements, guaranties, or representations, or incur any debt, for or on behalf of the other or represent that their relationship is other than franchisor and special agent. Neither party will independently obligate the other to any third parties or represent any right to do so. You must conspicuously identify yourself in all dealings with Franchisees, prospective Franchisees, lessors, contractors, suppliers, public officials, and others as the owner of the Business under an area developer agreement with 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 Business, 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 Business. 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 Business. 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, Affiliates 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, and apply to all claims even if they exceed the limits of your insurance coverage.

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 arbitration 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) for injunctive relief. 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® area developer or 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 area developer's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all Hot Head Burritos® franchisees or to other area developers. 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. MISCELLANEOUS PROVISIONS

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 courts within the Territory. Each of us and you irrevocably consents to the jurisdiction of such courts, and waive all rights to challenge personal jurisdiction and venue. The provisions of this Section 20(D) will survive the termination of this Agreement.

E. Governing Law. Subject to our rights under federal trademark laws, all claims arising out of or relating to this Agreement and/or the parties' relationship will be governed by, and will be interpreted in accordance with, the substantive laws of the State of Ohio, irrespective of any conflict of laws. 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, including the Ohio Business Opportunity Purchasers Act (Ohio Revised Code § 1334 et. seq.) or any other state law or regulation applicable to the offer or sale of franchises or the franchise relationship.

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. 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.

J. 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.

K. *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.

L. Notice of Potential Profit. We advise you that we and/or our Affiliates periodically may make available to you and/or your Affiliates (including the Operating Company) goods, Products and/or services for use in the Business or a 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 and/or your Affiliates (including the Operating Company) or in consideration for services provided or rights license to such suppliers and manufacturers. You agree that we and our Affiliates will be entitled to such profits and consideration.

M. 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.

N. 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 we 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.

O. Effective Date. Regardless of the date first written above, this Agreement will not be effective until signed and dated by one of our officers (the “Effective Date”).

P. Confidential Terms. Any terms of this Agreement that have been negotiated between you and us are confidential and will not be disclosed, directly or indirectly, to any person or organization, except: (i) you may disclose the negotiated terms of this Agreement to your Principal Owners, professional advisors, or employees who require such knowledge for the direct purpose of carrying out their duties as they relate to the Business; and (ii) as required by applicable law, provided we receive advance written notice of such requirement prior to disclosure.

21. ACKNOWLEDGEMENTS

A. Success of the 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 businessperson, and your active participation in the daily affairs of the Business 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 these area developer rights 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 Area Developer Agreement, and exhibits attached hereto, at least seven (7) calendar days before the date on which this Agreement was signed. 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 before the date on which this Agreement was signed. 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. You will attest to the truthfulness of these statements by signing the Disclosure Acknowledgement Agreement, attached hereto as Exhibit D.

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

E. Conditions to Future Development. You recognize and acknowledge that this Agreement requires you to open Restaurants pursuant to the Development Schedule. You further acknowledge that the estimated expenses and investment requirements set forth in Items 6 and 7 of our Franchise Disclosure Document are subject to increase over time, and that future Restaurants likely will involve greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to Developer prior to the execution of this Agreement. You must execute all the Franchise Agreements and open all of the Restaurants in accordance with the dates set forth on the Development Schedule, regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of your prior Restaurants, or (iii) any other circumstances, financial or otherwise. The foregoing will not be interpreted as imposing any obligation upon us to execute the Franchise Agreements under this Agreement if you have not complied with each and every required condition to obtain such Franchise Agreements including, but not limited to, your satisfaction of our then-current requirements for franchisees.

We have entered into this Agreement based, in part, on your current financial condition and our assessment of your ability to meet ourfinancial requirements. You further acknowledge that operating Restaurants and meeting our re-equipment, remodeling and other obligations will require significant capital. You and your affiliates must at all times maintain reasonably adequate financial resources, taking into account current resources, reasonably projected future cash flows, and reasonable assumptions related to financing, to meet your required capital and operational expenses under this Agreement and the Franchise

Agreements. You must promptly provide such financial information related to your and your affiliates as required by the Franchise Agreements and as we may reasonably request, including, but not limited to, financial statements, debt agreements (and an accounting of your compliance with such agreements), and historical and projected cash flows and expenses.

The parties have signed this Agreement on the date first mentioned above.

[*signatures to follow*]

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_________________________________

Your Principal Business Address (Must be different than the Restaurant location):

____
____
____

EXHIBIT A

TERRITORY AND DEVELOPMENT QUOTA

1. Territory. The Territory referred to in Section 1(O) of this Agreement will be the following geographic area: ____
____
____.

2. Development Quota. You must meet the following Development Quota by the last day of each Sales Year during the initial ten (10) year term of this Agreement:

Sales Year	Number of Restaurants Sold in the Territory for this Sales Year	Cumulative Number of Restaurants Sold in the Territory	Number of Restaurants Open and Operating in the Territory for this Sales Year	Cumulative Number of Restaurants Opened and Operating in the Territory
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

[*signatures to follow*]

Hot Head Burritos® franchised Restaurants and Company-Owned Restaurants count towards fulfillment of your cumulative Development Quota of Opened and Operating Restaurants.

WE:

HOT HEAD FRANCHISING, LLC
an Ohio limited liability company

By_______________________________
Its______________________________
Date ____________________________

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)

Date ____________________________

____
(Sign Your Name)

____
(Print Your Name)

Date_____________________________

(If you are a corporation or limited liability company)

____
Name of corporation or limited liability company

By_______________________________
Its______________________________
Date ____________________________

EXHIBIT B

STATEMENT OF OWNERSHIP

Area Developer: ____

Trade name (if different from above): ______________________________

Form of Ownership
(Check One)

_____ Individual ____ Partnership ____ Corporation ____ Limited Liability Company

_____ Other (List):

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and developer and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name and address of the manager, and list the names and addresses of every member and the percentage of membership interest held by each member. You acknowledge that this Statement of Ownership applies to the Business authorized under the Area Developer Agreement. Use additional sheets if necessary. Any and all changes to the above information must be reported to (and in some cases first approved by) us in writing.

[*signatures to follow*]

WE:

HOT HEAD FRANCHISING, LLC
an Ohio limited liability company

By___________________________________
Its________________________________
Date _____________________________

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)

Date ___________________________________

____
(Sign Your Name)

____
(Print Your Name)

Date____________________________________

(If you are a corporation or limited liability company)

____
Name of corporation or limited liability company

By____________________________________
Its_________________________________
Date ________________________________

EXHIBIT C

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain Area Developer 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. Further, the Guarantors, individually and jointly, agree to be personally bound by each and every condition and term contained in the Area Developer Agreement, including the confidentiality provisions contained in Section 12 and the non-compete provisions contained in Section 13 and agree that this Guaranty will be construed as though each of the Guarantors executed a Area Developer Agreement containing the identical terms and conditions of this Area Developer 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 Area Developer 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.

Sections 17(C) (Survival), 19(D) (Attorneys' Fees), 20(B) (Waiver), 20(D) (Venue and Jurisdiction), 20(E) (Governing Law), 20(F) (Modifications), 20(H) (Interpretation), and 20(N) (Entire Agreement) of the Area Development Agreement apply to Guarantors and this Guaranty.

[*signatures to follow*]

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

GUARANTOR(S)	**PERCENTAGE OWNERSHIP IN YOU**
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________

SPOUSE(S)

____

____

____

____

____

EXHIBIT D

DISCLOSURE ACKNOWLEDGMENT AGREEMENT

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

1. 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 Area Developer Agreement and/or payment of any monies.

2. I have signed and returned to Hot Head Franchising, LLC (you or your) the acknowledgment of receipt for each disclosure document given me.

3. I have had an opportunity to read the Area Developer Agreement thoroughly and understand all of your covenants and obligations and my obligations as an area developer of the Hot Head Burritos® system. I understand that the Area Developer Agreement contains all obligations of the parties and that you do not grant to me under the Area Developer Agreement any right of first refusal.

4. 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. In addition, I understand that this franchise business may be impacted by other risks, including those outside your or our control such as economic, political or social disruption.

5. I understand that my role in the franchise sales process is limited and that you have the right to reject any franchise candidate. I understand that the franchise sales process is governed by federal and state laws and that I must comply with those federal and state laws.

6. Except for fill in the blank provisions or for negotiated changes that I initiated, I received a copy of the revised Area Developer Agreement or related agreement at least seven (7) calendar days before the date on which the Area Developer Agreement or related agreement was signed.

7. 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:___________________________ Name:___________________________________
Date:____________________________ Date:____________________________________

EXHIBIT E

**INITIAL FEE DISCOUNT FOR VETERANS
OF THE UNITED STATES MILITARY ADDENDUM**

THIS AGREEMENT (“Agreement”) is made and entered into this _____ day of _______________, 20____, between Hot Head Franchising, LLC, (“we” or “us”), and ________________________________ (“you”) (collectively, the “Parties”).

INTRODUCTION

A. As of the date of this Addendum, the Parties entered into a Hot Head Burritos® area development agreement (the “AD Agreement”) pursuant to which you obtained the right and undertook the obligation to act as a special agent for us within a certain geographic area, to assist in the offer of franchises for, and to develop, support, and provide services to, Hot Head Burritos® restaurants.

B. We provide a twenty-five percent (25%) discount of the initial territory fee to those qualified persons who have served in the military for the United States of America, and you have represented and demonstrated to us that you meet the criteria for a veteran discount.

AGREEMENTS

In consideration of the foregoing, the Parties agree as follow:

1. Initial Fee. Section 5(A) of the Area Development Agreement is hereby deleted in its entirety and is replaced with the following:

A. Initial Territory Fee. You will pay us an initial territory fee of $____________ (“Initial Territory Fee”). You will pay the Initial Territory Fee upon execution of this Agreement. We fully earn the Initial Territory Fee when we sign this Agreement and the Initial Territory Fee is nonrefundable. You acknowledge that the Initial Territory Fee does not include payment of any initial franchise fees for individual Restaurants.

2. Construction. All other terms and conditions of the Area Development Agreement not modified herein remain in full force and effect. All capitalized terms not defined in this Addendum have the respective meanings set forth in the Area Development Agreement.

The parties have signed this Amendment as of the day and year first above written.

[*signatures to follow*]

WE:

HOT HEAD FRANCHISING, LLC
an Ohio limited liability company

By__________________________________
Its_________________________________
Date ______________________________

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)

Date __________________________________

____
(Sign Your Name)

____
(Print Your Name)

Date__________________________________

(If you are a corporation or limited liability company)

____
Name of corporation or limited liability company

By__________________________________
Its_________________________________
Date ______________________________

EXHIBIT F

STATE AREA DEVELOPER AGREEMENT ADDENDA

ILLINOIS ADDENDUM TO
AREA DEVELOPER AGREEMENT

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

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

Section 5 of the Area Developer Agreement is amended to provide that payment of the Initial Territory Fee is deferred until such time as we complete our initial obligations and you are open for business.

Illinois law governs the Area Developer Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in an area developer agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void. However, an area developer agreement may provide for arbitration to take place outside of Illinois.

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

Your rights upon termination and non-renewal of an Area Developer Agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

YOUR SPOUSE MAY BE REQUIRED TO SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL FINANCIAL OBLIGATIONS UNDER THE AREA DEVELOPER AGREEMENT, EVEN IF YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS (PERHAPS INCLUDING YOUR HOUSE) AT RISK IF YOUR FRANCHISE FAILS.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Developer Agreement.

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

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

[signatures to follow]

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

WE: HOT HEAD FRANCHISING, LLC	**YOU:**
	______________________________
By______________________________	By______________________________
Its ____________________________	
	By______________________________

**WASHINGTON ADDENDUM
TO AREA DEVELOPER AGREEMENT**

The terms of this Addendum apply to franchises offered and sold in Washington or located in Washington.

1. Notwithstanding anything to the contrary contained in the Area Developer Agreement, to the extent that the Area Developer 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 Area Developer 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 Area Developer 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 the Initial Territory Fee is deferred until such time as we complete our initial obligations and you are open for business.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Developer Agreement.

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

This Addendum is being entered into in connection with the Area Developer Agreement. In the event of any conflict between this Addendum and the Area Developer 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	**YOU:**
	____________________________________
By____________________________	
Its ___________________________	By__________________________________
	By__________________________________

EXHIBIT C

LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
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, 1st Floor 525 West Ottawa Street Lansing, MI 48933

EXHIBIT D

HOT HEAD BURRITOS® AREA DEVELOPER LIST

LIST OF AREA DEVELOPERS AS OF DECEMBER 31, 2023

FRANCHISEE NAME	STREET	CITY	ST	ZIP CODE	PHONE	TERRITORY LOCATIONS
TOM YVON WAYNE YVON (2 BUSINESSES)	3641 LONE WOLF TRAIL	SAINT AUGUSTINE	FL	62086	860-265-2901	CONNECTICUT AND MASSACHUSETTS
ZACH AND KEVIN KETRING (1 BUSINESS)	403 VISTA GLEN	CINCINNATI	OH	45246	513-319-3549 513-312-6909	FLORIDA
MATHEW CURTIS AND TIM TEFS (2 BUSINESSES)	6990 ASHVIEW LANE	LIBERTY TOWNSHIP	OH	45011	937-581-1620 513-602-3948	KENTUCKY, MICHIGAN, AND OHIO
ED NEWSOME (3 BUSINESSES)	8501 STATE ROUTE 335	MINFORD	OH	45653	740-820-8800	WEST VIRGINIA OHIO KENTUCKY
TONY GHILONI (3 BUSINESSES)	35 W. BROAD STREET	PATASKALA	OH	43062	740-739-1355	SE OHIO SW PENNSYLVANIA N WEST VIRGINIA
PETER WILEY (2 BUSINESSES)	8031 EAST MARKET STREET, SUITE #3	WARREN	OH	44484	330-469-9401	OHIO AND WESTERN PENNSYLVANIA
BILL STOSE (1 BUSINESS)	635 N MAIN PO BOX 9	NORTH WEBSTER	IN	46555	574-226-0246	MID AND NORTHERN INDIANA

LIST OF FORMER AREA DEVELOPERS AS OF DECEMBER 31, 2023

FRANCHISEE NAME	CITY	ST	ZIP CODE	PHONE	TERRITORY LOCATIONS
KEVIN JOHNSON & LOUIS NEOS (2 BUSINESSES)	DEERFIELD BEACH	FL	33441	732-995-6700 917-681-5046	FLORIDA AND GEORGIA

EXHIBIT E

STATE FDD ADDENDA

[Reserved]

EXHIBIT F

STATE EFFECTIVE DATES AND RECEIPTS

STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Indiana	Pending
Michigan	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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. Iowa and New York require that HHF give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that HHF give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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, 2024

The franchisor is Hot Head Franchising, LLC, located at 2795 Culver Ave, Kettering, Ohio 45429, telephone number is (937) 979-1748.

HHF's franchise sellers involved in offering and selling the franchise are Ray Wiley and Kelly Gray, 2795 Culver Ave, Kettering, Ohio 45429, telephone number is (937) 979-1748 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, 2024, that included the following Exhibits:

A. Financial Statements
B. Area Developer Agreement (and Exhibits including State Addenda)
C. List of State Administrators/Agents for Service of Process
D. Area Developer List
E. State FDD Addenda
F. State Effective Dates and 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

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. Iowa and New York require that HHF give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that HHF give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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**.

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C. List of State Administrators/Agents for Service of Process
D. Area Developer List
E. State FDD Addenda
F. State Effective Dates and Receipts

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) 395-3613.

Copy for Hot Head Franchising, LLC