FRANCHISE DISCLOSURE DOCUMENT

Hotshots®

HSF Franchising, LLC
A Missouri limited liability company
512 Pearce Blvd.
Wentzville, Missouri 63385
636-856-9072
jdurnett@hotshotsnet.com
www.hotshotsnet.com

The franchisee will operate a sports-themed bar and restaurant under the trademark "Hotshots".

The total investment necessary to begin operation of a Hotshots Sports Bar and Grill restaurant is from $969,000 - $2,156,000. This includes between $60,500 and $62,500 that must be paid to the franchisor or its affiliates. If you are granted development rights under a Multi-Unit Development Agreement, you will pay a MUD Fee of $120,000 for the first 3 Hotshots Sports Bar and Grill restaurants, plus $30,000 for each additional unit you agree to develop.

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 Jason Durnett, HSF Franchising, LLC, at 512 Pearce Blvd., Wentzville, Missouri 63043, 636-856-9072.

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 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 "Buying a Franchise: A Consumer Guide," 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, 2025

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or 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 D 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 Hotshots Sports Bar and Grill 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 Hotshots franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchise *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 delegates. These items may be more expensive than similar items you could buy or 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 the 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 F.

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 Contacts for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

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

2. **<u>Spousal Liability</u>.** The franchise owners and their spouses must each sign personal guaranties making each spouse jointly and severally liable for all obligations of the franchise. These guaranties place each franchise owner's and each spouse's personal assets at risk.

3. **<u>Mandatory Minimum Payments</u>.** You must make mandatory minimum royalty payments regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

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.

HSF FRANCHISING, LLC
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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document "we", "us" and "our" means HSF Franchising, LLC, the franchisor. "You" and "your" mean the person who buys the franchise. If the franchise will be owned by a corporation, partnership or limited liability company, "you" and "your" also mean the owners of the corporation, partners of the partnership or members and manager of the limited liability company and their spouses.

We are a Missouri limited liability company which was formed on August 9, 2010. We maintain our principal place of business at 512 Pearce Blvd., Wentzville, Missouri 63685. We do not currently do business or intend to do business under any name other than HSF Franchising, LLC. We have no parent and no predecessors. Our agents for service of process are disclosed in Exhibit F.

1636 Country Club Plaza, Inc. ("Licensing"), an affiliate of ours, owns the Marks and System described below and has granted a worldwide license to us to grant franchises using the Marks and System. Licensing does not grant any franchises. Licensing's principal place of business is 512 Pearce Blvd., Wentzville, Missouri 63685.

We have additional affiliates which own and operate Hotshots Sports Bar and Grill restaurants. Currently there are 8 affiliates operating in Missouri and 1 affiliate in Illinois. The first of these locations began in 1990. All of these affiliates and their locations are listed on Exhibit D.

We grant franchises to operate, a sports-themed bar and restaurant that specializes in offering alcoholic beverages, grilled foods, chicken wings, soups, salads, hot and cold sandwiches, and/or pizza, and providing customers access to billiards, darts, and/or arcade games using the System and Marks as described in the Franchise Agreement which is attached as Exhibit A ("Franchise Agreement"). "System" means a specially developed method of operating a sports-themed restaurant and bar under the Marks using certain procedures and methods, recipes, site evaluation criteria, layouts, accounting methods, advertising, sales and promotional techniques, personnel training, trade secrets and any other matters relating to the operation and promotion of Hotshots Sports Bar and Grill restaurants as they may be changed, improved, modified and further developed by us or our affiliates from time to time. "Marks" means such service marks, trademarks, trade dress and trade names, and all configurations and derivations, as may presently exist, or which may be modified, changed, or acquired by us or our affiliates, in connection with the operation of a Hotshots Sports Bar and Grill restaurant. Marks currently include "Hotshots", "Hotshots Sports Bar and Grill" and design and "HS" design. "Hotshots Sports Bar and Grill restaurant" means any bar or restaurant which is operated under the System and Marks whether owned by us, an affiliate of us, or a licensee or franchisee of us. You will do business under the fictitious or assumed name of "Hotshots Sports Bar and Grill" or any other name that we decide to use in the future. In this disclosure document, the Hotshots Sports Bar and Grill restaurant you will operate according to the terms of the Franchise Agreement is referred to as the "Grill."

Single Franchise. If we approve you as a franchisee, you may sign a Franchise Agreement in the form attached as Exhibit A, to operate a single Hotshots Sports Bar and Grill restaurant. In no event will you be a franchisee until we have signed a Franchise Agreement with you.

Multi-Unit Franchises. Under our Multi-Unit Development Program, we assign a territory ("MUD Area") within which you must open and operate a certain number of Hotshots Sports Bar and Grill restaurants ("Units") within a specified period of time ("MUD Schedule"). If you elect to participate in and are approved for this program, you will execute a Multi-Unit Development Agreement (the "MUD" or "MUD Agreement") in the form attached as Exhibit B, which will describe your MUD Area, the number of Units to be developed and the MUD Schedule. You must agree to develop at least 3 Units. For each Unit, you must sign a separate Franchise Agreement in the form of the then current Franchise Agreement we offer our new franchisees, except that the royalty fees and advertising fees will be at the same rate as in our standard Franchise Agreement at the time the MUD is signed, and except that we will credit you with payment in full of the Initial Franchise Fee owed under the Franchise Agreement for each Unit. In no event will you sign a Franchise Agreement for any Unit until we have complied with any applicable waiting periods prescribed by law, and in no event will you be a franchisee entitled to operate a Unit as a Hotshots Sports Bar and Grill restaurant until we sign the Franchise Agreement for that particular Unit. You will sign a Franchise Agreement for your first Unit at the same time you sign the MUD.

The goods and services offered by our franchisees are used primarily by the general public for personal consumption and are not limited to any specific submarket. Your Grill will have to compete with other bars and restaurants offering similar products including other franchises and locally-owned bars and restaurants. You should also recognize that the intense competition for the food dollar can affect your business and all competing businesses and could affect the profitability of your Grill.

Health and licensing regulations specific to the operation of a restaurant are in effect in most jurisdictions, as are laws and regulations governing the sale and the advertisement of the sale of alcoholic beverages. You will be required to comply with all local, state and federal health and sanitation laws and liquor sale and advertising laws that apply to restaurant operations, including any requirements for food handlers to have certain inoculations. You must check all applicable governmental laws, regulations, and ordinances. You are responsible for knowing and complying with all laws and licensing requirements related to the operation of your Grill and it is likely that you will be required by city and/or state laws to obtain licenses to operate your Grill. You must obtain all required liquor licenses. You must comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the Americans with Disabilities Act, regarding the construction, design and operation of the Grill. Building codes and requirements vary in different jurisdictions and it is important for you and your architect to be aware of and comply with all local laws. You should check with your local attorney for advice on complying with applicable law.

We began offering franchises in 2010. We have not conducted a business of the type you will be operating and we do not engage in any types of business activities other than franchising Hotshots Sports Bar and Grill restaurants and providing services to our franchisees. However, there are currently 8 affiliate-owned Hotshots Sports Bar and Grill restaurants in operation similar to the one you will operate under the Franchise Agreement. Neither we nor any of our affiliates have offered franchises in other lines of businesses. None of our affiliates have sold any franchises similar to your Grill.

ITEM 2
BUSINESS EXPERIENCE

Daniel H. Volmert –Manager

Mr. Volmert has been our Manager since August 2010. From August 2010 until March 2018, Mr. Volmert was also our Chief Executive Officer. He also serves as President of our affiliates, Licensing (June 1990), 12154 Rock Road, Inc. (June 1992), 14051 Manchester, Inc. (September 1994) and 3333 Ridgeway, Inc., (May 1999). In addition, he serves as the Manager of our affiliates, 4021 Union, L.L.C. (January

1997), 215 O'Fallon Place, L.L.C. (August 2000), 950-952 South Highway, L.L.C. (September 2003), 1319 Central Park, L.L.C. (January 2005), 730 HSBG, LLC (February 2007), 12664 Dorsett Road, L.L.C. (September of 2008) and Hotshots Wentzville, L.L.C. (January 2013).

Matthew Scott Volmert – Chief Executive Officer

Mr. Volmert has been our Chief Executive Officer since March 2018. Mr. Volmert was our Director of Franchise Operations from January 2014 until March 2018. From August 2010 until December 2013, Mr. Volmert was a Regional Training and Compliance Officer for us. Since June of 1995, he has held a variety of positions for our affiliates. Currently, he also serves as a District Manager for our affiliate, Licensing, providing quality assurance supervision at many of our affiliate-owned locations (See Exhibit D).

Julia Ann Volmert – Chief Financial Officer

Ms. Volmert has been our Chief Financial Officer since August 2010. She also serves as Secretary and Treasurer of our affiliate, Licensing (June 1990), 12154 Rock Road, Inc. (June 1992), 14051 Manchester, Inc. (September 1994) and 3333 Ridgeway, Inc., (May 1999).

Jason Durnett – Director of Franchise Development

Since August 2010, Mr. Durnett has been our Director of Franchise Development. He has also been a consultant for Unique Innovations, LLC in St. Louis, Missouri since July 2003. Since January 2005, he has also been a consultant for BLE, LLC in St. Louis, Missouri.

Micheal Wilshire – Director of Franchise Operations

Mr. Wilshire has been our Director of Franchise Operations since November 2024. Prior to that, he was a General Manager at a Hotshots Sports Bar & Grill Fenton, MO from March 2009 to November 2024.

Justin Boyd – Director of Marketing and Digital Assets

Mr. Boyd has bene our Director of Marketing and Digital Assets since July 2014.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Franchise Agreement

You must pay us an initial franchise fee in a lump sum when you sign the Franchise Agreement. Our standard initial franchise fee is $50,000 (the "Initial Franchise Fee"). The Initial Franchise Fee is fully earned by us and is not refundable to you under any circumstances.

If you sign a MUD, the Initial Franchise Fee for your first Unit is $50,000, the Initial Franchise Fee for your second Unit is $40,000 and the Initial Franchise Fee for the third and each additional Unit is $30,000. All of these fees will be paid as part of the MUD Fee and credited to you as described below.

If you sign a Franchise Agreement for an additional location that is not being signed under a MUD, then you will not receive a discount on the Initial Franchise Fee.

In addition to the Initial Franchise Fee, we estimate that you will spend between $10,500 and $12,500 before you open the Grill for your initial inventory of branded uniforms, gift cards and jackets, loyalty cards, menus and dart scoreboards you buy from our affiliate, Licensing. You must pay for these items at the time of their delivery.

MUD

If you are a franchisee under our Multi-Unit Development Program, you must pay us a MUD Fee (the "MUD Fee"). The MUD Fee will equal $120,000 for your first 3 Units you agree to develop in the MUD Area, and $30,000 for each additional Unit you agree to develop in the MUD Area. When you sign a Franchise Agreement for each of your Units, we will credit you with payment in full of the Initial Franchise Fee due for that Unit. The MUD Fee is due when you sign the MUD and is fully earned by us and is not refundable to you under any circumstances.

ITEM 6
OTHER FEES*

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fees Note 1	The greater of (i) 6% of Gross Sales; or (ii) the Minimum Royalty	Payable each week on Tuesday (based on Gross Sales of the previous week, Monday through Sunday)	Fees and sales back-up report due. Payments shall be made via electronic funds transfer ("EFT")
Advertising Fee Note 1	Up to 5% of Gross Sales, however, currently, the Advertising Fee is 2% of Gross Sales	Payable weekly by Tuesday of the following week	Payments shall be made via EFT
Transfer Fee	Up to 50% of the then current Initial Franchise Fee	Prior to consummation of transfer	Payable when you sell your franchise or your development rights
Renewal Fee	Up to 25% of the then current Initial Franchise Fee	At the time of the execution of the then current franchise agreement	Payable when you renew the franchise
Additional Training Note 2	Fee and all expenses	Upon request or as we require	This is for additional training we may provide from time to time

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Additional Assistance Note 2	Fee and all expenses	Upon request or as we require	This is for additional assistance that you need or request
Audit Note 3	Cost of Audit	Upon demand	If we determine that you have been deficient by more than 2% on payment of fees or you fail to provide us with reports as required
Arbitration Fee**	Cost of Arbitration and attorneys' fees	Upon demand	If awarded by arbitrators
Interest on late payments Note 3	Lesser of 1 ½% per month or maximum legal rate	On all overdue payments	Payable on all overdue amounts
Late Report Fee Note 3	$100 plus $100 for every week a report is late	Upon demand	Payable on all late reports
Liquidated Damages Note 4	$200 per day	Upon demand	Payable for each day unauthorized products or services are offered for sale or sold
Dispute Resolution Fee**	$50,000 plus attorneys' fees and expenses	Upon demand	Payable if you breach the dispute resolution terms of the Franchise Agreement or MUD Agreement
Indemnification**	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims from your Grill operation
Costs and Attorneys' Fees**	Will vary under circumstances	As incurred	Due when you do not comply with the Franchise Agreement and we have to seek assistance to enforce the Agreement
Taxes Note 5	Actual cost	Upon demand	Payable if certain taxes are levied or assessed on the fees you pay to us or our affiliates
Product Purchases Note 6	Price List	Upon demand	Payment must include cost of goods, taxes, shipping and handling
Fee for Testing Alternative Supplier's Goods	Reasonable fee based on the cost of the test made by us or by an independent testing laboratory designated by us	Upon demand	Only if you want us to test a proposed supplier to become an approved supplier (See Item 8)

* All fees other than arbitration fees are imposed by and are payable to us except Product Purchases, which is payable to us or our affiliates. All fees are non-refundable and are uniformly imposed.

** These fees are found in both the Franchise Agreement and MUD.

Note 1: **<u>Royalty Fee and Advertising Fee</u>.** By Tuesday of the week following the week in which the sales were made, you must pay us a Royalty Fee equal to the greater of (i) 6% of Gross Sales from your Grill; or (ii) the Minimum Royalty. "Gross Sales" means the total amount of all sales of products, services, vending and entertainment sources, and merchandise sold from, through, or in connection with the Grill, whether for cash, on credit, barter or otherwise, exclusive of applicable sales, use or service taxes. The Minimum Royalty is based on the number of years your Grill has been operating. In the first year, the "Minimum Royalty" is $0. Beginning in the second year and continuing thereafter, the "Minimum Royalty" is $500 per week. You will authorize us to take the Royalty Fees from you by electronic transfer.

You are required to pay us a Advertising Fee initially equal to 2% of Gross Sales from your Grill on Tuesday of the week following the week in which the sales were made. We may determine to increase the Advertising Fee you are required to pay us, but we cannot increase the Advertising Fee more than 0.5% per year, and the maximum Advertising Fee you will be required to pay us is 5% of Gross Sales. You will authorize us to take the Advertising Fees from you by electronic transfer.

If a state or local law applicable to your Grill prohibits or restricts in any way your ability to pay Royalty Fees, Advertising Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Grill, then the percentage rate for calculating such fees shall be increased, and the definition of Gross Sales shall be changed to exclude sales of alcoholic beverages, so that the fees to be paid by you shall be equal to the amounts you would have had to pay if sales from alcoholic beverages were included in Gross Sales. For example, if you generated $15,000 in Gross Sales, of which $5,000 is from the sale of alcoholic beverages, then your weekly Royalty Fee is $900 (6% x $15,000). If you are not permitted by law to pay Royalty Fees on the sale of alcoholic beverages, then we must recalculate your royalty percentage so that you still pay the full Royalty Fee that you would pay us if this law did not exist. In the above example, we must deduct $5,000 from the Gross Sales and raise your royalty percentage to 9% so that we may collect the same $900 Royalty Fee from you ($15,000 - $5,000 = $10,000 x 9% = $900).

You will comply with the procedures specified in the Manual or as otherwise communicated for any electronic funds transfer program and shall perform the acts and sign the documents, including authorization forms that we, your bank and our bank may require to accomplish payment by electronic funds transfer, including authorizations for us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of Royalty Fees and Advertising Fees and other amounts, including interest payable to us. In addition, you will pay all costs associated with utilizing an electronic funds transfer payment program. If you fail to timely report to us in accordance with the procedures set forth in the Franchise Agreement and in the Manual, in addition to any applicable late charge, we have the right, but not the obligation, to debit from your account an estimated amount equal to the fees due and payable to us during the most recent month for which the reports were received by us.

Note 2: **Additional Training and Assistance Fees.** We reserve the right to charge you our then standard fee for any training we provide to you or your managers or employees after the opening of the Grill. Currently, our fee is $200 per day. You will also be responsible for any travel, meal, incidental, and lodging expenses incurred by persons conducting the training programs and attending the training program. We will make available continuing advisory assistance in a manner as we deem appropriate. If we send our representatives to your Grill to provide assistance, we reserve the right to charge a reasonable fee for this type of assistance.

Note 3: **Interest, Audit Fees and Late Report Fees.** If you under-report your Gross Sales, in addition to paying us for the amount of unpaid Royalty Fees and Advertising Fees, you must pay interest on any unpaid amounts at the rate of the lesser of l ½% per month or the maximum legal rate in the jurisdiction where your Grill is located. In addition, if the amount of Gross Sales you report for any calendar year is less than 98% of the actual Gross Sales for that period or you fail to provide us with the reports as required, you must reimburse us for all costs of the investigation or audit that uncovered the under-reported sales, including salaries, professional fees, travel, meals, and lodging. In addition, if you fail to send us a report that is due, we can charge you a late report fee of $100 plus $100 for each week your report is late.

Note 4: **Liquidated Damages for Sale of Unauthorized Products or Services.** Uniformity of products and services offered by all Hotshots Sports Bar and Grill restaurants is of utmost importance to us, our franchisees and the System. If you offer to sell or do sell products or services which are not authorized or are not prepared in accordance with the Confidential Operations Manual, you agree we will be damaged by your non-compliance. These damages will be calculated at the rate of $200 per day for each day unauthorized products or services are offered or sold and will be in addition to any other rights and remedies we may have against you. We have the right to collect these amounts in addition to any and all of our other rights for non-compliance provided for under the Franchise Agreement. You agree that a precise calculation of the full extent of the damages that we will incur from the offer or sale of unauthorized products and services are difficult to determine and we and you desire certainty in this matter and agree that the damages provided here are reasonable, constitute liquidated damages and are not a penalty.

Note 5: **Taxes.** You agree to indemnify and/or reimburse us and our affiliates for all capital, gross receipts, sales, and other taxes and assessments imposed by any applicable state or local governmental authority as a result of the conduct of the Grill's business or the license of any of our or our affiliates' intangible property to you (whether required to be paid by us or our affiliates, withheld by you or otherwise). Your obligation to indemnify or reimburse us or our affiliates for these taxes does not extend to income-type taxes which a state or local government imposes on us or our affiliates' income.

Note 6: **Product Purchases.** Currently, you must purchase certain branded products and certain food products from our affiliate, Licensing. The price and terms and conditions for these purchases are contained on the price list that we or our affiliates will supply to you from time to time ("Price List"). We reserve the right, for ourselves and our affiliates, to update the Price List and change the terms and conditions for these purchases at any time on 30 days' notice. All of the individuals who guarantee the Franchise Agreement must also guarantee all of your purchases of products and equipment from us or our affiliates. You must pay for all taxes, shipping and handling costs. If you fail to pay for any products when payment is due, we or our affiliates can require you to pay for future products and/or equipment in advance, on a C.O.D. basis or withhold shipment of products in addition to requiring you to pay late fees and interest.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee Note 1	$50,000	Lump Sum	Upon signing the Franchise Agreement	US
Lease Deposit and Rent Note 2	$10,000 – $60,000	Lump Sum	Signing the Lease	Landlord
Leasehold Improvements Note 3	$500,000 - $1,400,000	As incurred	Before Opening	General Contractor
Signage	$7,000 – $15,000	Lump Sum	Before Opening	Approved suppliers
Furniture and Fixtures Note 4	$30,000 – $50,000	Lump Sum	Before Opening	Approved suppliers
Kitchen/Bar Equipment Note 4	$100,000 – $180,000	Lump Sum	Before Opening	Approved suppliers; Outside vendors
Audio/Visual Equipment Note 4	$65,000 – $125,000	Lump Sum	Before Opening	Approved suppliers
Smallwares/Uniforms Note 4	$12,000 – $25,000	Lump Sum	Before Opening	Approved suppliers
POS Computer System / Office Equipment/Supplies Note 5	$3,000 – $6,000	As incurred	As incurred	Approved suppliers; vendors
Licenses, Dues, deposits, etc. Note 6	$3,000 – $5,000	Lump Sum	Before Opening	Government Agencies and organizations
Professional Fees	$10,000 – $20,000	Lump Sum	Before Opening	Attorney, accountant
Insurance Note 7	$10,000 – $20,000	As incurred	Before Opening	Insurance agent
Travel and Living Expenses while Training	$22,000 – $35,000	As incurred	Before Opening	Airlines, hotels, Etc.

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Inventory Note 8	$47,000 – $65,000	As incurred	Before Opening	Approved suppliers
Grand Opening Advertising	$25,000	As incurred	90 days after opening	Advertising company
Additional Funds – 3 months Note 9	$75,000	As incurred	As incurred	Employees, rent, suppliers, utilities, etc.
TOTAL Note 10	**$969,000 - $2,156,000**			

The chart above describes the estimated initial investment for a Hotshots Sports Bar and Grill restaurant, whether it is a single unit or a Unit under a MUD. The initial investment for a MUD Developer will include the MUD Fee which is equal to $120,000 if you agree to develop 3 Units under the MUD and $180,000 if you agree to develop 5 Units under the MUD.

Note 1. **Initial Franchise Fee.** For your first Hotshots Sports Bar and Grill restaurant, the Initial Franchise Fee is $50,000. As described in Item 5, if you are a Developer under our Multi-Unit Development Program, you must pay us a MUD Fee when you sign the MUD based on the number of Units to be opened under the MUD. When you sign a Franchise Agreement for a particular Unit under the MUD, you will receive a credit against the entire Initial Franchise Fee owed for that Unit. Under a MUD, the Initial Franchise Fee will be equal to $50,000 for the first Hotshots Sports Bar and Grill restaurant, $40,000 for the second Hotshots Sports Bar and Grill restaurant, and $30,000 for the third and each additional Hotshots Sports Bar and Grill restaurant. However, if you purchase one Hotshots Sports Bar and Grill restaurant at a time and not under a MUD, then you will pay the full Initial Franchise Fee for that additional Hotshots Sports Bar and Grill restaurant.

Note 2. **Lease Deposit.** The size of the Grill will be approximately 8,000 – 10,000 square feet and typically will be in a strip mall or free standing building. If you do not own or purchase real estate for the Grill location, you will need to lease space from a landlord. In most cases the landlord will require a security and/or rental deposit. Usually, the landlord will require you to pay the equivalent of 1 month's rent. Rental rates or deposits on an unknown location cannot be predicted in advance. However, the rental rates will most likely depend on the size and location of the Grill. These costs will vary greatly depending on the metropolitan area where the Grill will be located. These estimates are based on one month's rent for a security deposit and the first month's rent. In addition, these estimates are based on locations in and around St. Louis, Missouri. In most cases, franchisees rent rather than purchase property. The initial investment assumes you will rent. If you purchase the property, your initial expenses will dramatically increase.

Note 3. **Leasehold Improvements.** The cost of architecture drawings, construction, improvements or building varies widely by the size of the space, the existing improvements and local construction rates. Until a specific site is located and evaluated a reliable estimate of costs cannot be projected. Sometimes you may receive a construction allowance from the landlord or you may lease a location which was already built out as a restaurant and if so, the costs may be reduced accordingly.

Note 4. **Equipment/Furniture/Fixture/Smallwares/Uniforms.** These costs include the kitchen equipment, audio visual equipment, all of the furniture and fixtures for the Grill as well as the smallwares, wall décor, menus and branded uniforms. The cost shown is turnkey, including installation. This estimate also assumes you can obtain some of the wall décor without charge from your local alcohol distributors.

Note 5. **POS Computer System/Office Equipment/Supplies.** These costs include the back office equipment and supplies for your Grill. Also included is the POS system that is described in greater detail in Item 11. The cost reflected here reflect the cost to lease the POS system.

Note 6. **Licenses, Dues, Deposits, etc.** These amounts represent the business license and estimated utility deposits. The amount of your actual utility deposits will vary depending on the size of your Grill, the number of utilities your landlord requires you to pay and the number of utility companies that require a deposit. Usually, a landlord will require you to pay all utilities servicing your Grill. Typically, utility providers require a deposit equal to 1 month's average charge for that utility. This amount also includes the cost to obtain a liquor license for your Grill. In addition to the fee a state or local government may charge you to apply for a liquor license, a limited number of states or localities may also assess environmental impact fees. The amount of the license fee and the existence and amount of any environmental impact fee which you may be charged depends on the location of your Grill. You are required to obtain all necessary licenses and pay all required governmental fees to operate your Grill. These estimates are based on locations in and around St. Louis, Missouri.

Note 7. **Insurance.** These amounts represent 25% of the annual premium for the required insurance. Many insurance companies will require you to pay this amount prior to opening and allow you to pay the remainder in monthly payments throughout the year. The type of insurance you are required to maintain is described in Section IX.H. of the Franchise Agreement. Typically, the annual premiums will range from $32,000 to $60,000 per year. Typically, the annual premiums will range from $32,000 to $60,000 per year.

Note 8. **Initial Inventory.** These amounts represent the initial inventory, including all food costs, you will need to begin operation of the Grill

Note 9. **Additional Funds.** This item estimates your expenses during the initial period of operation of the Grill (other than the items identified separately in this table). These expenses include estimated rent, payroll costs, benefits, the cost to have your utilities, additional inventory requirements, supplies, etc., but do not include Royalty Fees, Advertising Fees or an owners' draw or salary. These figures are estimates, and you may have additional expenses in order to start the business. Your costs will depend on factors similar to these: how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and sales level reached during the initial period.

Note 10. **Total**. Costs and expenses can vary depending on factors like local real estate values, cost of labor and supplies. These figures were based on the experience of the Hotshots Sports Bar and Grill restaurants in and around the St. Louis, Missouri metropolitan area dating back to 1990, and the expenses may differ in other parts of the country. Except as described above, none of the fees listed in this Item are refundable. Your financial condition and arrangements negotiated by and the business decisions made by you will also affect these costs. There can therefore be no assurance that the experience of a particular franchisee will correspond with the information presented above. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

We do not offer, either directly or indirectly, financing to you for any items. (See Item 10 of this document.) The availability of financing will depend upon various factors like the availability of financing generally, your credit worthiness, other security that you may have, and the requirements of lending institutions concerning the type of business to be operated by you.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate the Grill according to our System. You are required to purchase all products, services, supplies, inventory, equipment, computer system and materials required for the operation of your Grill from manufacturers, suppliers or distributors we designate, or from other suppliers who meet our specifications and standards as to quality, appearance, taste and service, and who adequately demonstrate their ability to supply the franchise needs in a timely and reliable manner. Specification of a supplier may be conditioned on requirements relating to, among other things, frequency of delivery, standards of services, including prompt attention, as well as payments, contributions, or other consideration to us, our affiliates, any advertising fund and/or otherwise, and may be temporary, in each case in our reasonable discretion. We may, from time-to-time withhold, condition and/or revoke our approval of particular items or suppliers in our reasonable discretion. We have imposed these requirements in order to assure quality and uniformity of the decor and products sold to customers. Approved suppliers will be designated in the Confidential Operations Manual or some other writing delivered to you. We may modify the list of approved brands, products and suppliers, and will notify you, in writing, of any modification.

Currently, our affiliate, Licensing, is the only approved supplier for certain branded products, such as uniforms, apparel, gift cards and jackets, loyalty cards, menus, certain décor and glassware. Licensing is also an approved supplier of certain food products. Other than Licensing, there is no approved supplier that is owned, in whole or in part, by any of our officers, but our officers reserve the right to own an interest in suppliers in the future. During the fiscal year ending December 31, 2024, we did not derive revenue from selling products or services to franchisees, but our affiliate, Licensing, received revenues from franchisees' purchases or leases in the amount of $ 11,922.

If you wish to purchase or lease any goods, products, equipment or supplies not approved by us as meeting our specifications, you must first notify us. We may require you to submit sufficient photographs, drawings and/or other information and samples to determine whether these goods, products, equipment, or supplies meet our specifications. Our standards and specifications may impose minimum requirements for delivery, performance, design and appearance. We will advise you within a 30 day period whether these goods, products, equipment or supplies meet our specifications. We may require samples from alternate suppliers to be delivered to us or to a designated independent testing laboratory (or other place we determine) for testing before approval and use. We may also require you to pay a reasonable fee based on the cost of the test made by us or by an independent testing laboratory designated by us. We may require your proposed supplier to execute a confidentiality agreement regarding the product.

We and our affiliates reserve the right to negotiate with various vendors for quantity discount contracts which may include rebates to us or our affiliates under these contracts. You may or may not find the contracts to your advantage and may elect to participate or not to participate in them. We have the right to condition or revoke your right to participate in any supplier programs if you are in default under the Franchise Agreement. We have the right to affiliate ourselves with suppliers or become an approved supplier or the sole supplier. Further, we and our affiliates have the right to receive revenues, rebate, commissions or other benefits from suppliers based on purchases made by our franchisees. Any purchases from us or our affiliates will generally be at prices exceeding our, or our affiliates', costs. In 2024, we received rebates of $10,012 from purchases made by franchisees. The purchase of products from approved sources will represent approximately 45% of your overall purchases in opening the franchise and 90% of your overall purchases in operating the franchise.

There are currently no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price terms), for the benefit of the franchise system. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

In addition to the purchases or leases described above, you must buy and maintain, at your own expense, insurance coverage that we require and to meet the other insurance-related obligations, all of which are described in greater detail in Section IX.H in the Franchise Agreement. All insurance policies must name us as an additional insured party. You will obtain and maintain the minimum insurance as described below or in the amounts described in the Confidential Operations Manual:

Commercial General Liability (Occurrence Form)	
• General aggregate (other than Product/Completed Operations Liability)	$2,000,000.00
• Product/Completed Operations Aggregate	$2,000,000.00
• Personal and Advertising Injury Aggregate	$1,000,000.00
• Bodily Injury and Property Damage (per occurrence)	$1,000,000.00
• Liquor Liability	$1,000,000.00
• Employment Practices	$1,000,000.00
• Assault or Battery Coverage (per occurrence)	$100,000.00
• Assault or Battery Coverage (aggregate)	$100,000.00
Personal Property	$250,000.00
Business Interruption	$150,000.00
Employment Practices Liability	
• Limit for Insured (aggregate)	$1,000,000.00
• Limit for us as Additional Named Insured (aggregate)	$100,000.00
Workers' Compensation	Statutory Amount

We may, from time to time make changes in minimum policy limits, coverage, and endorsements as we may determine. The cost of coverage will vary depending on the insurance carrier's charges, terms of payment and your history. All insurance policies must name us as an additional insured party.

[Item 9 Begin on Following Page]

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
(a) Site selection and acquisition/lease	Section III of the Franchise Agreement Section I of the MUD	Items 6 and 11
(b) Pre-opening purchases/leases	Sections IX.A and D of the Franchise Agreement	Item 8
(c) Site development and other pre-opening requirements	Sections IX.A and III of the Franchise Agreement	Items 6, 7, 11
(d) Initial and ongoing training	Section VIII of the Franchise Agreement	Item 11
(e) Opening	Section IX.A of the Franchise Agreement	Item 11
(f) Fees	Section VI of the Franchise Agreement Section IV of the MUD	Items 5 and 6
(g) Compliance with standards and policies/operating manual	Section IX.D of the Franchise Agreement	Item 11
(h) Trademarks and proprietary information	Sections X and XI of the Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Section IX.D of the Franchise Agreement	Item 16
(j) Warranty and customer service requirements	Section IX.D of the Franchise Agreement	Item 16
(k) Territorial development and sales quotas	Section II.B of the Franchise Agreement Section II of the MUD	Item 12
(l) Ongoing product/service purchases	Section XIV of the Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Section IX.L of the Franchise Agreement	Item 11
(n) Insurance	Section IX.H of the Franchise Agreement	Items 6 and 8
(o) Advertising	Section VII of the Franchise Agreement	Items 6 and 11
(p) Indemnification	Section XVII.B of the Franchise Agreement	Item 6
(q) Owner's participation/management/ Staffing	Section IX.G of the Franchise Agreement	Items 11 and 15
(r) Records and reports	Section IX.M of the Franchise Agreement	Item 6
(s) Inspections and audits	Section IX.I of the Franchise Agreement	Items 6 and 11
(t) Transfer	Section XVI of the Franchise Agreement Section VI of the MUD	Item 17
(u) Renewal	Section V.C of the Franchise Agreement	Item 17
(v) Post-termination obligations	Sections XI, XII and XIII.C of the Franchise Agreement	Item 17

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
(w) Non-competition covenants	Section XII of the Franchise Agreement	Item 17
(x) Dispute Resolution	Section XVIII of the Franchise Agreement Section VIII of the MUD	Item 17

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guaranty 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.

Before you open the Grill, we will:

(1) Designate your Assigned Territory (Franchise Agreement - Section II.B and Exhibit I.)

(2) Approve or disapprove a site for your Grill. We do not currently own sites for leasing to franchisees. (Franchise Agreement – Section III.A) You are responsible for investigating the suitability of the site and having any leases or sale contract for the site reviewed and approved by your attorney.

We will provide you with our site selection criteria for a Hotshots Sports Bar and Grill restaurant. The site must meet our criteria for demographic characteristics: traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; foot traffic; daytime business population; size; appearance; and other physical and commercial characteristics. We will approve or disapprove a location you propose within 30 days after receiving your description of the site and all demographic information we require in order to evaluate the site. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you.

If you intend to lease a site, you will submit a copy of the proposed lease to us, within 30 days of our consent to the site. Within 10 days of execution of the lease, you shall provide us a copy of the executed lease. The lease must include substantially the terms in the Addendum to Lease which is Exhibit II of the Franchise Agreement. You must also sign a Collateral Assignment of Lease which is Exhibit III of the Franchise Agreement whereby you agree to assign your rights to the lease to us in the event of a termination or expiration of this Agreement or a default under the lease.

If you intend to own the site, you will furnish to us proof of ownership or an executed sale contract within 90 days after we consent to the site. You shall create a separate entity to own the site and then lease the site to you at its full rental value and on commercially reasonable terms for the term of the Franchise Agreement.

(3) Provide approved suppliers or specification for the products and services you need to equip your Grill (Franchise Agreement – Section XIV);

We do not provide any products or services directly, but only provide you with the names of approved suppliers and the written specification for these items. We do not deliver or install any of these items.

(4) Provide an initial training program for the operation of the Grill to you and up to 6 designated managers. This training is described in greater detail later in this Item 11 (Franchise Agreement – Section VIII.A).

(5) Loan you a copy of the Confidential Operations Manual (Franchise Agreement - Section XV);

This Confidential Operations Manual, which may be in a format determined by us (i.e., in writing, on CD-Rom, via electronic media through a secure website, etc.) ("Manual") is confidential and remains our property. You will operate your Grill in strict compliance with those operational systems, procedures, policies, methods and requirements found in the Manual which are designated as mandatory and in any supplemental bulletins and notices, revisions, modifications, or amendments thereto, all of which are a part of the Manual.

You must treat the Manual, any other manuals or written materials provided by us or our affiliates for use in the operation of the Grill, and the information contained in them, as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise make them available to any unauthorized person. The Manual will remain our sole property and must be kept in a secure place within the Grill. It must be returned to us upon termination or expiration of your Franchise Agreement.

We have the right to make additions to, deletions from or revisions to the Manual which you have to comply with at your own cost. You must ensure that the Manual is kept current at all times. If there is any dispute as to the contents of the Manual, the terms of the master copy maintained by us, at our principal office, will be controlling. The table of contents of the Manual, including allocation of pages to each subject, is included as Exhibit G to this disclosure document. The Manual is 118 pages in length.

We may, but are not required to, make suggestions for the layout and design of your Grill. Any such suggestion will not include the requirements of any federal, state, or local law, code, or regulation, including those concerning the Americans with Disabilities Act or similar rules governing public accommodations for persons with disabilities, nor shall such suggestions include the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific restaurant. You will construct the Grill in accordance with specifications and plans prepared by you based upon our standards, subject to our right to consent. The cost of plans and specifications shall be borne by you. Our consent shall be limited to review of such plans to assess compliance with our design standards for Hotshots Sports Bar and Grill restaurants, including such items as trade dress, presentation of trademarks, and the provision to the potential customer of certain products and services that are central to the functioning of the Grill. (Franchise Agreement – Section VIII.E)

Time for Opening the Franchised Business.

We estimate that the typical length of time between signing of the Franchise Agreement and the opening of a Hotshots Sports Bar and Grill restaurant is between 9 and 12 months. Factors affecting the length of time usually include obtaining a satisfactory site, zoning and governmental requirements, including obtaining all required licenses for the sale of food and alcoholic beverages, financing arrangements, building improvements, and purchase and installation of equipment, fixtures, and signs. The opening of the Grill may be delayed only if such delay is caused by contingencies not within your control, such as acts of God, governmental restrictions, strikes or labor disputes. You are required to use your best efforts to cure any of these delays and any of these delays in opening shall only be for a period of days equal to the number of days during which the events actually prevent completion. You must notify us of any delay promptly. If you fail to open the Grill within 1 year of signing the Franchise Agreement, including if you fail to locate a site for the Grill that we approve, then we may terminate the Franchise Agreement.

You may open a Unit under a MUD only by signing a Franchise Agreement for that Unit. You will sign a Franchise Agreement for the first Unit at the same time you sign the MUD.

During the Operation of your Grill, we will:

(1) Provide on-site opening assistance, consisting of at least 1 person, for a period of 10 days (3 prior to opening and 7 after opening the Grill) as described in greater detail later in this Item 11 (Franchise Agreement – Section VIII.C).

(2) Furnish you, at your request, with additional guidance and assistance. We reserve the right to charge a reasonable fee (Franchise Agreement - Section VII.D).

(3) Continue to loan you one copy of the Manual (Franchise Agreement – Section XV).

ADVERTISING

Advertising Fund

You must contribute a monthly Advertising Fee of up to 5% of Gross Sales (currently it is only 2% of Gross Sales) to the marketing and advertising fund maintained and operated by us (the "Advertising Fund"). We agree that the Advertising Fees received from you will be made available for the payment of all costs associated with the creation, production, distribution, media placement and administration of local, state, regional or national advertising programs and for any taxes incurred on these funds. The Advertising Fund is intended to maximize recognition of the Marks and the patronage of the Hotshots Sports Bar and Grill restaurants. Although we will try to use the Advertising Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Hotshots Sports Bar and Grill restaurants, we do not ensure that the Advertising Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Advertising Fund contributions by Hotshots Sports Bar and Grill restaurants operating in that geographic area or that any Hotshots Sports Bar and Grill restaurant benefits directly or in proportion to its Advertising Fund contributions. These funds will be used for advertising on television, radio, direct marketing mailings, the newspaper, the Internet and other media. We have the right to determine the type of advertising and the media in which it will appear. We have the sole right to formulate and make policy decisions concerning every aspect of the advertising and franchise expansion program, consistent with applicable law. We do not have to spend the Advertising Fund contributions during any specific time period. Advertising may be handled by the outside advertising agency which we select. We do not spend any funds from the Advertising Fund on advertising that is principally a solicitation for the sale of franchises, except that we will use portions of the Advertising Fees towards the costs of any website we may maintain, which website may contain information about our franchising programs. We will not prepare audited financial statements of the Advertising Fund, however, we will provide unaudited financial statements upon your request. If we do not use all of the Advertising Fund contributions in a particular fiscal year, the remaining contributions will be carried over to the next fiscal year and be included in that year's advertising budget. We are entitled to reimbursement from the Advertising Fund to cover our administrative and overhead expenses associated with operating the

Advertising Fund. All franchisees and any affiliate-owned Hotshots Sports Bar and Grill restaurant will contribute to the Advertising Fund on an equal basis.

The Advertising Fund is not our asset. The Advertising Fund is not a trust. We have a contractual obligation to hold all Advertising Fund contributions for the benefit of the contributors and to use the contributions only for their permitted purposes as described above. We have no fiduciary obligation to you for administering the Advertising Fund. In the fiscal year ended December 31, 2024, the Advertising Fees were spent as follows: 30% of the money spent from the Advertising Fund was spent on production and 70% was spent on media placement.

We do not have a franchisee advertising advisory council that advises us on advertising policies, but we reserve the right to establish an advisory council in the future.

Your Own Advertising.

In addition to your required contributions to the Advertising Fund, you must spend for advertising and promotion of your Grill an amount equal to or greater than 2% of your Gross Sales. You must have proof of your expenditures if we request to review your books and records. You must submit all of your own advertising and sale promotion materials to us or our designated advertising agency for approval before use. If you do not receive written disapproval within 20 days after we or they receive the materials, we will be deemed to have given approval. You are responsible to ensure that all advertising and promotion materials used by you, whether created or consented to by us, comply with applicable laws, including state and local liquor laws. You may not advertise or use in advertising or other form of promotion, the Marks without the appropriate copyright, trademark, and service mark symbols ("©", "®", "TM" or "SM") as we direct.

You may not advertise or use any of the Marks on the Internet except after obtaining our consent. Any advertising on the Internet, delivered by facsimile, electronic mail or other electronic means shall be pre-approved by us and on terms specified by us. We may require you to place all such electronic advertisements with us or our designated third party vendor. Further, you may not use the Marks (or any marks or names confusingly similar to the Marks) as an Internet domain name, user or account name, or in the content of any world wide website or mobile application, including any social media website (such as LinkedIn, Facebook or Twitter). We maintain and control the web site www.hotshotsnet.com. We may provide contact information for Hotshots Sports Bar and Grill restaurants, including the Grill, on our web site for so long as we determine.

If we require, you agree to participate with other Hotshots Sports Bar and Grill restaurants in placing advertisements in the Yellow Pages and/or other directories including Internet telephone directories which cover your Assigned Territory, and you will pay for your proportionate share of the cost for the Yellow Pages directory advertising or other similar publication. Yellow Pages advertising costs must be paid in addition to the amounts payable to the Advertising Fund, but will count towards your own, local advertising requirements. You agree not to distribute individual advertising items (i.e., coupons, circular advertising, etc.) outside of your Assigned Territory, unless you use a form of advertising which is not programmed to restrict to the Assigned Territory, we direct mail advertising by outside contractors based on zip code.

Grand Opening Advertising.

In addition to the other advertising requirements, you must spend a minimum of $25,000 for grand opening advertising and sales promotions within 90 days of the Grill opening. Additionally, you must provide to us, within 120 days after the opening of the Grill, proof of your advertising and sales promotion expenditures in the form, and with the detail, including copies of all grand opening advertising materials and receipts, as we request.

Local Advertising Cooperative.

Currently we do not operate or authorize any local or regional advertising cooperatives. However, we reserve the right to identify certain advertising markets that may benefit from the formation of an advertising cooperative in the future, and we reserve the right to require your participation in any advertising cooperative we form. If formed, you will be required to pay a reasonable fee to fund the local or regional advertising efforts of any cooperative you are required to join. That fee will be in addition to any other fees described in this disclosure document.

COMPUTER SYSTEM

You are required to purchase a P.O.S. computer system by SpotOn (Computer System). The Computer System is based on a 3 to 6 terminal system, but more terminals may be required depending on your Grill layout. The Computer Systems consists of 3 to 6 SpotOn Restaurant Bundle Terminals with flat panel LCD touchscreens, credit card readers and printers. You will be required to enter into a 3-year software license agreement with SpotOn for the use of their software. The Computer System will be connected to the Cloud, and we will have access to all the data. In addition, the Meraki security hardware is used to keep the confidentiality of your credit card information. This includes programming, installation, and support. There is an upfront payment of $600, and the monthly costs are $179.20 (for a 3-terminal system), $213.20 (for a 4-terminal system), $247.20 (for a 5-terminal system) and $281.50 (for a 6-terminal system). The monthly cost covers Loyalty, Gift cards, Meraki connectivity fee, SpotOn platform fee and support. The purchase price for the equipment is as follows: $375 per Terminal (which includes a cash drawer); $125 for one license for Meraki; and $68.75 per Epson TM88 Receipt printer.

We may revise our specifications for hardware and software as we determine necessary to meet the needs of the System and there is no contractual limitation on our ability to require the hardware or software to be improved or upgraded. We reserve the right to require different or additional software programs and hardware at any time in the future and you will be responsible for the cost of any new, modified, or updated programs and hardware. We have independent access to information or data in your Computer System.

The types of business information which will be collected by the Computer System will be sales reports by category, department, menu item, inventory, waiter, cashier, lunch, dinner and hour on a daily, weekly and monthly basis. We will have independent access to information or data in the Computer System. We have no contractual obligation to upgrade or update any hardware or software. We are not obligated to provide or assist you in obtaining the above item or services. In the future, you may be required to change, upgrade or modify the type of computer hardware and software you must use at your expense (i.e.. Web-Based reporting solutions.) Internet service may be required to make your Computer System accessible for web-based solutions.

TRAINING PROGRAMS

We or our representatives or agents will provide the following training to you and 7 designated managers. Completion of the training to our satisfaction is mandatory for you and at least 7 designated managers (which we may require to consist of a general manager, 3 assistant managers, 1 kitchen manager, and 2 assistant kitchen managers) before you open your Grill. We may charge you our then-current fee for additional trainees for this additional designated manager to attend initial training. If the franchisee currently operates a Hotshots Sports Bar and Grill restaurant, the training program is not mandatory for the franchisee or those designated managers who have already satisfactorily completed our initial training program, unless we deem it necessary.

The initial training program will most likely take place in an existing Hotshots Sports Bar and Grill restaurant in the St. Louis, Missouri area for a period of approximately 4 weeks. We do not charge for the initial training program for you and 7 designated managers, but you are responsible for wages, travel, and living expenses for you and your employees during training. Prior to attending our initial training, you and your designated managers must attend and complete a responsible beverage server training course we approve in addition to other state and locally required courses applicable to your Grill. We expect that training will be conducted for you and your employees after the Franchise Agreement has been signed and while the Grill is being developed. There currently are no fixed (i.e. monthly or bi-monthly) training schedules. The training programs are given on an as-needed basis.

We will, at our expense, also provide on-site, opening assistance, consisting of at least 1 person, for a period of 10 consecutive days, at your Grill. On site, store opening training is conducted as follows: (a) 3 days prior to the scheduled Grill opening for a "dry run" and, (b) 7 days after the scheduled opening of your Grill.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of on the Job Training	Location
Introduction to Hotshots Sports Bar and Grill	1	0	St. Louis, Missouri
Kitchen Operations			St. Louis, Missouri
• Cooks (4)	0	120	St. Louis, Missouri
• Safety and Sanitization	1	3	St. Louis, Missouri
• Food Prep	2.5	85	St. Louis, Missouri
• Food Specs	2.5	85	St. Louis, Missouri
• Opening/Closing Procedures	2	3	St. Louis, Missouri
• Ordering	2	4	St. Louis, Missouri
• Kitchen Manager	0	50	St. Louis, Missouri
Bar Operations			St. Louis, Missouri
• Bartender Role	.5	10	St. Louis, Missouri
• Maintenance of Bar	.5	10	St. Louis, Missouri
• Opening/Closing Procedures	.5	1.5	St. Louis, Missouri
• Products	1	1	St. Louis, Missouri
• POS System	1.5	10	St. Louis, Missouri
• Menu	1	10	St. Louis, Missouri
Server Operations			St. Louis, Missouri
• Orientation	1	1	St. Louis, Missouri
• Opening/Closing Procedure	.5	1.5	St. Louis, Missouri
• Menu	1	10	St. Louis, Missouri
• POS System	1.5	10	St. Louis, Missouri
• Ordering Process	.5	10	St. Louis, Missouri
• Alcohol and Beer Introduction	.5	10	St. Louis, Missouri

Subject	Hours of Classroom Training	Hours of on the Job Training	Location
Manager Operations			St. Louis, Missouri
• Opening/Closing Procedures	1	3	St. Louis, Missouri
• Bar	1	20	St. Louis, Missouri
• Kitchen	3	120	St. Louis, Missouri
• Floor	2	75	St. Louis, Missouri
• Policies & Procedures	3	12	St. Louis, Missouri
TOTAL	**40 Hours**	**665 Hours**	

Note that some subjects may be intermingled and time periods and subject matter may be subject to change. The hours listed for On the Job will typically include more than one subject matter. It is the nature of the restaurant business that all aspects of training are integrated. The above are merely estimates.

Reed Paladino. Mr. Paladino has been associated with Hotshots Sports Bar and Grill restaurants since 2006 and in the restaurant industry since 2003. Reed is the creator of the Hotshots training program for the kitchen managers, kitchen staff and servers. He trains all new managers in kitchen operations. He has been instrumental in creating recipe specifications as well as updated versions to menu changes. Reed has created numerous procedure forms including pars for all items, food and menu cost reports and annual cost reports. He is also responsible for negotiating pricing with vendors. Each year since 2006 he has scored higher than a 94 on the Public Health Department inspections.

Michael Wilshire. Mr. Wilshire brought his talents to Hotshots Sports Bar and Grill restaurants in 2009. Since that time he has worked as a General Manager and Trainer, at 6 of our affiliate locations. He is currently the General Manager of our affiliate-owned Hotshots Sports Bar and Grill restaurant in Fenton, Missouri. Mr. Wilshire has successfully increased the sales and profit at every location he has managed and left the store ready for the next manager to step in continue with its success. He is responsible for training all new managers on the Hotshots system of maximizing sales and turning them into to profits in all areas of the P&L. In addition he helps strategize and develop promotions for Hotshots Sports Bar and Grill restaurants with all of their outside vendors and partners to keep the customers coming in and staying.

Steve Campbell. Mr. Campbell is the Operations Manager for our affiliate-owned Hotshots Sports Bar and Grill restaurants. A proven company leader, with a track record of building sales and profits in each affiliate-owned location he has operated. Since 1995, he has played a vital role in our affiliate's growth from 2 locations to 9 in the St. Louis metropolitan area. Since 2003, he has been responsible for all operational aspects of the company. His emphasis is in menu development, product research and finding other strategies that strengthen the organization and provide the best possible profit from each location. Mr. Campbell attended the University of Missouri, majoring in Hospitality and Restaurant Management.

Tom Morgan. Mr. Morgan is currently General Manager of our affiliate-owned Hotshots Sports Bar and Grill restaurant in Wentzville, Missouri. Mr. Morgan has been a manager with our affiliate locations since 2000 and a General Manager since 2003. During his tenure with Hotshots Sports Bar and Grill restaurants he has served as a manager in 8 of our affiliate-owned locations. In addition to these duties he also coordinates promotions such as Dart League/Tournaments and Pool League/Tournaments for all of these affiliate locations. Mr. Morgan remains instrumental in the development and implementation of new day to day procedures and operations.

Chris Friedhoff. Mr. Friedhoff brought his talents to Hotshots Sports Bar and Grill in 2000 and is currently the General Manager of our affiliate-owned Hotshots in St. Charles, Missouri. Since 2000 he has served in many capacities, including 3 years as Kitchen Manager. During his many years with Hotshots he has acted in a management role in all affiliate-owned locations. For the past 10 years he has been an integral part of the training process for all members of management including the creation and implementation of the training process that is currently in use. Additionally, his skills include promotion implementation and execution, customer service training and execution and food/beverage quality assurance.

At all times you must have at least 4 designated managers who have satisfactorily completed our initial training program. If any designated manager of your Grill is no longer willing or able to exercise day-to-day control over your Grill, you must designate a new designated manager, who must attend our initial training program at your sole cost and expense within 30 days after the time this person is designated a designated manager. You are solely responsible for the costs and expenses associated with your designated manager's attendance at this initial training, including the then prevailing standard rates charged by us for additional attendees at the initial training and all travel, meals and lodging costs and compensation of, and workers' compensation insurance for your new designated manager.

We may also provide refresher programs to experienced managers. Such programs are not mandatory at this time, but attendance may be required in the future. We may elect to charge a reasonable fee for any training provided after the opening of the Grill. You are solely responsible for paying the compensation of your trainees as well as your trainees' travel, lodging and personal expenses. The location, duration, and content of such refresher training programs has not yet been determined.

ITEM 12
TERRITORY

Franchise Agreement

You must operate your Grill at a specific location identified in the Franchise Agreement. You may not conduct business at any site other than the Grill. You may not relocate the Grill without our written consent that we will not unreasonably withhold. The factors we consider regarding whether to approve a proposed relocation site include general location and neighborhood, demographics, zoning, traffic patterns, parking, overall interior and exterior size, lease terms and proximity to other Hotshots Sports Bar and Grill restaurants. The Assigned Territory will be determined when we both agree on the site as described in Exhibit I of the Franchise Agreement. Your Assigned Territory will be tailored to your specific site's demographics (there is no minimum geographic territory). Typically your Assigned Territory will be approximately a 3 mile radius around your Grill unless you are in a densely populated area or a rural area. If you are in a rural area, your Assigned Territory may be much larger and if you are in a densely populated area, such as in a downtown metropolitan area, your Assigned Territory may be smaller.

So long as the Franchise Agreement is in force and you are not in default under it or any other agreement with us or any affiliate of ours, neither we nor our affiliates will own or operate or franchise or license others to own or operate a Hotshots Sports Bar and Grill restaurant within the Assigned Territory, other than in a Non-Traditional Location. A "Non-Traditional Location" is a location that is in a transportation facility, a sporting facility, a shopping mall, an educational facility or a military facility. A Non-Traditional Location is not considered part of the Assigned Territory. Except as limited above in this Item 12, we and our affiliates retain all rights with respect to Hotshots Sports Bar and Grill restaurants, the System, the Marks, the sale of similar or dissimilar products and services and any other activities we deem appropriate whenever and wherever we desire, including (1) the right to own or operate, or license others to own or operate Hotshots Sports Bar and Grill restaurants in Non-Traditional Locations within your Assigned Territory, immediately adjacent to your Assigned Territory or anywhere outside of your Assigned Territory; (2) the right to operate or license other to operate similar businesses or any other businesses and services under trademarks or service marks other than the Marks in any location, both inside or outside of your Assigned Territory; (3) the right to operate or license other to operate businesses that are not similar to a Hotshots Sports Bar and Grill restaurant under the Marks in any location, both inside or outside of your

Assigned Territory; and (4) the right to offer any products or services (including the products and services you offer at the Grill) through other channels of distribution (including grocery stores, the Internet and other non-restaurant outlets) both inside and outside of your Assigned Territory, and we may promote products bearing the Marks at special events, athletic contests, etc., through temporary locations and mobile units. We are not required to pay you if we exercise any of the rights specified above inside your Assigned Territory.

You are prohibited from distributing individual advertising items (i.e., coupons, circular advertising, etc.) outside of the Assigned Territory, unless you use a form of advertising which is not programmed to restrict delivery to the Assigned Territory, like direct mail advertising by outside contractors based on zip code. You have no territorial protection in any area outside of your Assigned Territory, and you are prohibited from soliciting customers outside of the Assigned Territory through the Internet without our prior consent and on terms we specify. Except as described above in this paragraph, we do not restrict you from soliciting business from outside the Assigned Territory, but you may only offer services at your Grill and you do not have the right to use other channels of distribution to make sales outside of the Assigned Territory.

You do not receive the right to acquire additional franchises either within or outside your Assigned Territory, but we may consider granting you multiple franchises based on, among other things, the following criteria: you continue to meet the standards of a new franchisee, you have operated the Grill in compliance with our mandatory standards of operation, you have not been in default under your existing Franchise Agreements and the characteristics of the site for proposed additional franchise. You must sign a separate Franchise Agreement for each franchise and each Hotshots Sports Bar and Grill restaurant.

Although we and our affiliates have the right to do so, neither we nor our affiliates have owned, operated or franchised, and have no plans to own, operate or franchise, other businesses selling similar products or services under trademarks or service marks other than the Marks.

We and our affiliates have the right to purchase, be purchased, merge, acquire, be acquired or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as "Hotshots Sports Bar and Grill" restaurants operating under the Marks or any other marks following the purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be within your Assigned Territory, near your Assigned Territory, or near your location).

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands we control. Continuation of your franchise or your territorial protection is not dependent upon sales quotas, market penetration or opening additional locations; however, your territorial protection is dependent upon your compliance with the Franchise Agreement.

MUD Agreement

Under the MUD Agreement, you are granted the right to develop and operate Hotshots Sports Bar and Grill restaurants solely in a specified MUD Area, which may be one or more cities, counties, states or some other defined area. During the term of the MUD, we may not own, operate, franchise or license any other Hotshots Sports Bar and Grill restaurants in your MUD Area, other than in any Non-Traditional Location. Until the termination, expiration or transfer of the MUD, you retain your right of exclusivity as long as you comply with the MUD Schedule (Attachment A of the MUD). If you fail to meet any of your obligations under the MUD, including compliance with the MUD Schedule, or breach any Franchise

Agreement signed by you, we may terminate your right to develop, open and operate new Units within the MUD Area. However, the termination of the right to develop your MUD Area will not terminate any rights granted under any Franchise Agreements then in effect between you and us in which you are in compliance. After the expiration or termination of your MUD, we may own, operate, franchise or license others to operate additional Units anywhere, without restriction, including in your MUD Area, except for any Assigned Territories under your Franchise Agreement(s) that then remain in effect.

Except as limited above in this Item 12, we and our affiliates retain all rights with respect to Hotshot Sports Bar and Grill restaurants, the Marks, the sale of similar or dissimilar products and services and any other activities we deem appropriate whenever and wherever we desire, including (1) the right to own or operate, or license others to own or operate Hotshot Sports Bar and Grill restaurants immediately adjacent to your MUD Area or anywhere outside of your MUD Area; (2) the right to operate or license others the right to operate Hotshot Sports Bar and Grill restaurants in any Non-Traditional Location within your MUD Area; (3) the right to operate or license others to operate similar businesses or any other businesses and services under trademarks or service marks other than the Marks in any location, both inside or outside of your MUD Area; (4) the right to operate or license others to operate businesses that are not similar to a Hotshots Sports Bar and Grill restaurant under the Marks in any location, both inside or outside of your MUD Area; and (5) the right to offer any products or services (including the products and services you offer at your Grill) through other channels of distribution (including grocery stores, the Internet and other non-restaurant outlets) both inside and outside of your MUD Area, and we may promote products bearing the Marks at special events, athletic contests, etc., through temporary locations and mobile units. We are not required to pay you if we exercise any of the rights specified above inside your MUD Area.

You have no options, rights of first refusal or similar rights to acquire additional franchises except as provide in the MUD. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands we control. Under the MUD, the continuation of the territorial protections which are listed above is dependent upon your compliance with the MUD Schedule, as described above.

ITEM 13
TRADEMARKS

Under the Franchise Agreement, we grant you the right to operate your Grill under the Marks. The Marks are owned by Licensing. The Marks have been registered on the Principal Register of the United States Patent and Trademark Office ("PTO"). The principal Marks are:

Mark	**Registration Date (Application Date)**	**Registration Number (Serial Number)**
Hotshots	July 22, 1997	2,081,616
Hotshots Sports Bar and Grill and design	September 15, 2009	3,682,759
HS design:	June 7, 2022	6,755,687

All required affidavits or renewal filings have been filed in connection with this registration.

Under a license agreement with Licensing dated October 1, 2010, Licensing has licensed us to use the Marks and to sublicense the Marks to our franchisees to use in operating Hotshots Sports Bar and Grill restaurants. The license agreement has a term of 99 years, but either we or Licensing may terminate it with 30 days' notice to the other if there is a default which is not cured. However, if there is a default that is not cured under the license agreement and the agreement is terminated, Licensing will still allow you to use the Marks until the end of the term and any renewal term of your Franchise Agreement.

There are no agreements which significantly limit our rights to use or license the use of the Marks in the United States.

We will grant you a nontransferable, non-sublicensable, non-exclusive license to use the Marks at the Grill. You must follow our rules when you use the Marks. You cannot use the Marks as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

There are currently no effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, and no pending infringement, opposition or cancellation proceedings, and no pending material litigation involving the Marks.

We are aware that there are other businesses that may be providing restaurant and bar services operating under the name "Hotshots" or derivations of that name possibly in the following geographical trade areas: La Habra, CA, Sonora, CA, East Windsor, CT, Winter Haven, FL, Anamosa, IA, Charles City, IA, Calumet, IL, Alexandria, LA, Westville, NJ, Staten Island, NY, and Beaverton, OR.

We believe that, as a result of the nationwide priority to which we are entitled by virtue of our federal trademark registration, we have superior rights in most, if not all, of these trade areas. Because we cannot be absolutely certain about the length of time these other businesses have been using these trademarks, we cannot warrant that we have superior rights in those geographic trade areas. We have sent cease and desist letters to each of the businesses in the above markets. Although we have sent those cease and desist letters, the businesses may still be using the name "Hotshots" or another name similar to the Marks. We have not yet determined what additional action we will take. However, you may be required to use alternative marks in these geographic trade areas.

Other than the possible superior rights or uses by junior users that upon our impending entry would ripen into infringing uses as described above, we do not actually know of either superior rights or infringing uses that could materially affect a master franchisee's use of the Marks in any state.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or any claim by any person of any rights in any Mark. We will have the sole discretion to take such action as it deems appropriate and the right to exclusively control any litigation or administrative proceedings arising out of such infringement, challenge or claim. You must execute any and all instruments and documents, provide such assistance, and take any action that may be necessary or advisable to protect and maintain our interest in any litigation or other proceeding or otherwise to protect and maintain our interest in the Marks. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Mark or if the proceeding is resolved unfavorably to you.

If we decide to modify or discontinue the use of the Marks and/or to use one or more additional or substitute names or marks, you must make the changes at your own expense and without claim against us. You will need to comply within a reasonable time of the request.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We own no special patents which pertain to the System. We or our affiliates have copyright rights in the Manual, sales material and brochures, and related items used in operating the franchise. We and our affiliates have not registered these copyrights with the United States Registrar of Copyrights, but need not do so at this time to protect them. You may use these items only as we specify while operating the Grill.

There currently are no effective adverse determinations of the PTO, the Copyright Office (Library of Congress), or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state.

We need not protect or defend copyrights, although we intend to do so if it is in the system's best interest.

Although neither we nor any of our affiliates have filed an application for a copyright registration for these materials, it has copyright rights and the information is proprietary. Item 11 describes limitations on the use of the Manual by you and your employees. You must also promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information in a manner we think is appropriate.

The Franchise Agreement provides that all ideas, concepts, techniques, or materials concerning your Grill, Hotshots Sports Bar and Grill restaurants in general or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you assign ownership of that item and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or help us obtain intellectual property rights in the item. In the event that these requirements are found to be invalid or unenforceable, the Franchise Agreement provides that you and your owners grant to us a worldwide, perpetual, non-exclusive and fully paid license to use and sublicense the use of such ideas, concepts, techniques, innovations, developments, improvements, suggestions or materials.

The Franchise Agreement provides that you acknowledge that the System and the methods of operation licensed by us for the operation of a Hotshots Sports Bar and Grill restaurant are proprietary, confidential trade secrets of us and our affiliates, and you agree to maintain the confidentiality of all materials and information lent or otherwise furnished to you by us at all times, including after the termination or expiration of the Franchise Agreement, for any reason.

Further, under the Franchise Agreement, you agree that you shall not, during the term of the Franchise Agreement (other than to the extent necessary to operate the Grill) or after its expiration transfer or termination, for any reason, communicate or divulge to any others, any information or knowledge concerning the System and any trade secrets except those already in the public domain. You also agree to exercise the highest degree of diligence and will make every effort to maintain the absolute confidentiality of all trade secrets and proprietary rights during and after the term of the Franchise Agreement.

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

Although you are not required to personally participate in the day-to-day management of the Grill, we recommend that you do, and no matter what your participation in management is, you are required to devote your best efforts to the operation of the Grill. If you personally participate in the day-to-day operation of the Grill, then you must hire at least 4 additional persons to serve as your designated managers, and both you and these designated managers must successfully complete our initial training program. However, if you will not actively participate in the management of your Grill, then you must hire at least 5 designated managers, and each of you and the 5 designated managers must successfully complete our initial training program. At all times during the operation of your Grill, there must be at least 5 people who have completed our initial training program or are otherwise certified by us to manage a Hotshots Sports Bar and Grill restaurant. You are required to carefully monitor and be responsible for the performance of anyone designated to manage the operation of your Grill.

Your officers, directors, shareholders, partners, members, owners, their respective spouses and all managerial employees must sign the Non-Competition and Confidentiality Agreement attached to the Franchise Agreement as Exhibit IV. All owners of any entity franchisee and their spouses must also sign a Guaranty and Assumption of Obligations in the form attached to the Franchise Agreement assuming and agreeing to discharge all of your obligations under your Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those goods and services that we have approved. We have the right to change the types of required and/or authorized products and services and you will be notified by a bulletin or Supplement to the Manual. You are prohibited from offering or selling any products or services not authorized or approved by us and from using the premises for any other purpose than the operation of a Hotshots Sports Bar and Grill restaurant in compliance with the Franchise Agreement. In our discretion, we may approve or deny your request to eliminate some or add other menu items. We may, to the extent permitted by applicable law, set resale prices for the products or services you offer at the Grill. You will be required to add such equipment and make such alterations, at your expense, as may be necessary to equip the Grill for sale of such products as we may require. You may need to make an additional investment to do so.

We may require you, if permitted by applicable law, to participate in a gift card or other customer loyalty program in accordance with the provisions either set forth in the Manual or otherwise disclosed to you. In order to participate, you may be required to purchase additional equipment and pay any fees applicable to the use of that equipment. If we establish a gift card or loyalty program, we have the right to determine how the amount of the gift cards or loyalty cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards.

Other than as described in Item 12, you are not permitted to solicit business through the distribution of individual advertising items, such as coupons and circular advertising, outside of your Assigned Territory without our consent.

Other than as described in this Item, we do not impose any restrictions or conditions that limit your access to customers.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Section V of the Franchise Agreement Section III of the MUD	10 years from signing the Franchise Agreement Your development rights begin on the date you sign the MUD and pay the MUD Fee and terminate on the earlier of the day you open the last Unit listed in the MUD Schedule or the expiration date
b. Renewal or extension	Section V.C. of the Franchise Agreement	2 additional term for 5 years each subject to Section V.C of Franchise Agreement
c. Requirement for franchisee to renew or extend	Section V.C. of the Franchise Agreement	Give notice, sign new agreement that may contain terms and conditions materially different from those in your previous franchise agreement such as different fee requirements, sign release, remodel and pay fee equal to 25% of our then current Initial Franchise Fee
d. Termination by franchisee	Section XIII.B of the Franchise Agreement	If we breach agreement and do not cure or attempt to cure after notice
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	Section XIII.A of the Franchise Agreement Sections VII.A and B of the MUD	If you don't satisfactorily complete training, don't open within 1 year, or generally if you breach the Franchise Agreement Generally, for a material breach of the MUD
g. "Cause" defined – curable defaults	Section XIII.A of the Franchise Agreement Section VII.A of the MUD	You have 10 days to cure monetary defaults and 30 days to cure all others except those listed in Section XIII.A.3 You have 30 days to cure a default of the MUD Schedule
h. "Cause" defined – non-curable defaults	Section XIII.A.3 of the Franchise Agreement Section VII.A and B of the MUD	Non-curable defaults: conviction of a felony, fraud affecting the System, abandonment of your Grill, giving insufficient funds checks, material misrepresentations by you in your application, repeated defaults and bankruptcy If you transfer or encumber your rights in violation of the MUD, you or your owners commit a felony or fraud or you are bankrupt or you default under a franchise agreement and do not cure within the applicable cure period
i. Franchisee's obligations on termination/non-renewal	Section XIII.C of the Franchise Agreement Section VII.C of the MUD	Complete de-identification and payment of amounts due, return materials and Manual, direct transfer of phone and lease if requested No rights to open additional Units; you must continue to operate the Units according to any existing Franchise Agreements that are not terminated

Provision	Section in Franchise or Other Agreement	Summary
j. Assignment of contract by franchisor	Section XVI.A of the Franchise Agreement Section VI.B of the MUD	No restrictions on right to assign No restrictions on right to assign
k. "Transfer" by franchisee-definition	Section XVI.B of the Franchise Agreement Section VI.A of the MUD	Transfer of contract or assets or ownership change Transfer of rights under the MUD
l. Franchisor approval of transfer by franchisee	Section XVI.B of the Franchise Agreement Section VI.A of the MUD	We have the right to approve all transfers You have no right to transfer
m. Conditions for franchisor approval of transfer	Section XVI.B of the Franchise Agreement	Transferee qualifies, transfer fee paid, new franchise agreement signed, training of transferee, release signed
n. Franchisor's right of first refusal to acquire franchisee's business	Section XVI.D of the Franchise Agreement	We can match any offer for your business or an ownership interest in you
o. Franchisor's option to purchase franchisee's business	Section XIII.D of the Franchise Agreement	After termination we can purchase your personal property at fair market value
p. Death or disability of franchisee	Section XVI.D of the Franchise Agreement	Heir must be approved but no right of first refusal
q. Noncompetition covenants during the term of the franchise	Section XII of the Franchise Agreement	No involvement in a Competitive Business except as duly licensed by us, and no employment of an employee of any Hotshots Sports Bar and Grill restaurant or of us or our affiliates or franchisees
r. Noncompetition covenant after the franchise is terminated or expires	Section XII of the Franchise Agreement	No involvement in a Competitive Business except as duly licensed by us for 2 years within 10 miles of any Hotshots Sports Bar and Grill restaurant and your Grill
s. Modification of agreement	Sections XV and XIX.C of the Franchise Agreement Section IX.M of the MUD	No modification generally but Manual and system subject to change Amendments must be in writing and signed by you and us
t. Integration/merger clause	Sections XV and XIX.C of the Franchise Agreement Section IX.M of the MUD	Only the terms of the agreement are binding. Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable Only the terms of the agreement are binding. Any representations or promises outside of the disclosure document and MUD may not by enforceable
u. Dispute resolution by arbitration or mediation	Section XIX.F of the Franchise Agreement Section VIII of the MUD	Except for certain disputes involving the Marks or injunctive relief, all disputes must be submitted to mediation. Certain types of disputes must be submitted to arbitration
v. Choice of forum	Section XVIII of the Franchise Agreement Section IX.G of the MUD	Any mediation or arbitration must be in St. Louis County, Missouri, and any litigation must be in the United States District Court for the Eastern District of Missouri or in St. Louis County, Missouri (subject to state law)
w. Choice of law	Section XIX.F of the Franchise Agreement Section IX.G of the MUD	Missouri law applies (subject to state law)

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote this 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 consider 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.

Our financial performance representation consists of two parts. Part 1 contains the 2024 historic Gross Sales by category for the 5 franchised outlets that are substantially similar to the franchised business offered under this disclosure document and were open for business for at least 12 months as of December 31, 2024. Two franchised outlets that were open and operating as of December 31, 2024 were excluded because: (i) one is materially smaller than the current square footage that is our standard offering under this disclosure document; and (ii) one commenced operations during 2024 and was not open for at least 12 months as of December 31, 2024.

Part 2 contains the 2024 historic average sales, cost and net income of our 4 affiliate-owned outlets that were open for business for all 12 months of the 2024 calendar year. 4 of our affiliate-owned outlets that were open and operating through the 2024 calendar year have been excluded from Part 2 because they are materially smaller than the current square footage that is our standard offering under this disclosure document. The below information of affiliate-owned outlets is not a forecast, projection or prediction of how your franchise will perform. The results are based on the sales data reported to us from our franchised and affiliate-owned outlets. The results have not been audited, and may not be based on generally accepted accounting principles.

Part 1 – Actual 2024 Average Gross Sales of Franchised Outlets

The financial performance representation in this Part 1 contains the historic Gross Sales by category of 6 franchised outlets that are substantially similar to the franchised business offered under this disclosure document and were open and operating for at least 12 months as of December 31, 2024.

Franchised Hotshots Sports Bar and Grill
Gross Sales by Category
Year Ended December 31, 2024

Category	Average Gross Sales	Gross Sales Range	Median Gross Sales
Gross Sales – Food	$590,236	$506,735 - $852,558	$515,892
Gross Sales – Beer and Liquor	$951,602	$661,028 - $1,232,045	$950,958
Gross Sales – Total	$1,541,838	$1,430,011 - $1,793,951	$1,513,586

Of the 5 franchised outlets reported, 1 met or exceeded the Average Gross Sales – Food, 3 met or exceeded the Average Gross Sales – Beer and Liquor, and 1 met or exceed the Average Gross Sales - Total.

Part 1 Explanatory Notes

1) “Gross Sales” refers to total sales dollars achieved by outlets in the dataset in each of the listed categories: “Food” which includes all food item sales plus non-alcoholic beverage sales, “Beer and Liquor” which includes all alcoholic beverage sales, and “Total” which shows the sum of the Food and Beer and Liquor categories.

2) “Average Gross Sales” refers to the average total sales dollars achieved by outlets in the dataset by category.

3) “Gross Sales Range” refers to the range of total sales dollars achieved by outlets in the dataset by category.

4) “Median Gross Sales” refers to the total sales dollar amount that is in the center of all total sales figures achieved by outlets in the dataset by category.

5) The actual average gross sales and median gross sales numbers do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from revenue to obtain net income or profit. You should conduct an independent investigation of the costs and expenses you may incur in operating your Grill. Franchisees and former franchisees listed in this disclosure document may be one source of this information.

Part 2 – Actual 2024 Average Gross Sales and Net Income of Affiliate-Owned Outlets

The financial performance representation in this Part 2 contains the historic average performance of 4 of our affiliate-owned outlets that were open for business for all 12 months of the 2024 calendar year. 3 affiliate-owned outlets were excluded from the below table because they are smaller than our current standard offering under this disclosure document. We have only included information from affiliate-owned outlets because we do not collect cost information from our franchisees and therefore do not have the data necessary to provide you with their profit or income figures. The affiliate-owned outlets included in this Part 2 opened from 1990 - 2016.

Hotshots Sports Bar and Grill
Gross Sales and Net Income – Year Ended December 31, 2024

Category	Range	Median	Average	Percentage of Gross Sales [a]
Gross Sales	$2,082,711 - $3,781,026	$2,787,458	$2,859,663	100%
Cost of Goods	$524,552 - $967,057	$713,118	$729,461	25.51%
Labor Cost	$476,532 - $827,843	$556,400	$604,294	21.13%
Other Operating Cost	$739,348 - $1,251,591	$804,459	$899,964	31.47%
Net Income	$193,598 - $482,797	$353,071	$345,634	12.09%

Of the 4 affiliate-owned outlets reported, 2 met or exceeded the Average Gross Sales reported and 2 met or exceeded the Average Net Income reported.

Part 2 Explanatory Notes

1) “Gross Sales” refers to total sales dollars achieved by outlets in the dataset.

2) “Range” refers to the range of gross sales, costs (by category) and net income figures experienced by outlets in the dataset.

3) “Median” refers to the gross sales, costs (by category) and net income figures that are in the center of all of the given figures experienced by outlets included in the dataset.

4) “Average” refers to the average gross sales, costs (by category) and net income figures experienced by outlets in the dataset.

5) “Percentage of Gross Sales” refers to the percentage of gross sales the costs (by category) and net income figures comprise for outlets in the dataset. The percentage is based on the Average Gross Sales figure reported in the first line.

6) You should conduct an independent investigation of the costs and expenses you may incur in operating your Franchised Business. Franchisees and former franchisees listed in this disclosure document may be one source of this information.

7) The “Net Income” has been adjusted for presentation purposes in order to assist you in understanding the experience from our affiliate-owned outlets. The adjustments include adding certain expenses that our affiliates did not experience that a typical franchised outlet would experience. These expenses were the following: Royalty Fees. Our affiliate-owned outlets do not pay these fees. Our affiliate-owned outlets do pay Advertising Fees so there was no adjustment needed for those fees. In order to demonstrate what a franchisee might experience in operating a Hotshots Sports Bar and Grill restaurant, we have adjusted the expenses to include the amount of Royalty Fees that they would have paid based on their Gross Sales.

Bases and Assumptions

There are no material differences between the business conducted by these Hotshots Sports Bar and Grill restaurants and the Grill to be operated by you under the Franchise Agreement. All outlets reported operate under the same System and Marks and with similar operating requirements. However, there are differences.

Your costs and expenses are likely to differ from those of our affiliated-owned Hotshots Sports Bar and Grill restaurants. Costs and expenses can vary greatly from area to area and location to location based on numerous factors. You may have additional expenses that were not reflected in the above table. For example, the royalty payments for our affiliate-owned outlets are not the same as those that a franchise will pay and are not reflected in the cost figures. In addition, some of the overhead costs of these affiliate-owned outlets are pro-rated between them and other affiliates, or in some cases are allocated only to one affiliate. Therefore, you may incur other costs and expenses that are not shown. We do not estimate the costs and expenses for your particular operation.

You should also note that the affiliate-owned Hotshots Sports Bar and Grill restaurants are all located in the St. Louis, Missouri metropolitan area and thus collectively benefit from each other’s presence through, among other reasons, community advertising and a greater market presence – a factor that may not be present in other geographic areas.

Revenues will vary from outlet to outlet due to various factors, including the demand for the goods and services offered by Hotshots Sports Bar and Grill restaurants, the type and number of competitive businesses in the market, advertising efforts, management experience, location and other factors. Actual results vary from franchise to franchise, and we cannot estimate the results of a particular Hotshots Sports Bar and Grill restaurant. A new franchisee’s results are likely to differ from the results shown in this Item.

Some outlets have earned this amount. Your individual results may differ. There is no assurance

that you'll earn as much.

This financial performance representation was prepared without an audit. Prospective franchisees should be advised that no certified public accountant has audited these figures or expressed an opinion with regard to their contents or form.

Written substantiation for these financial performance representations will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We 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 our management by contacting Jason Durnett, HSF Franchising, LLC, at 512 Pearce Blvd., Wentzville, Missouri 63685, 636-856-9072, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2022 to 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2022	5	5	0
	2023	5	6	+1
	2024	6	7	+1
Company-Owned[a]	2022	8	7	-1
	2023	7	7	0
	2024	7	7	0
Total Outlets	**2022**	**13**	**12**	**-1**
	2023	**12**	**13**	**+1**
	2024	**13**	**14**	**+ 1**

[a] We do not have any company-owned outlets at this time. However, our affiliates own and operate Hotshots Sports Bar and Grill restaurants. These outlets are listed in Exhibit D.

Table No. 2
Transfer of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2022 to 2024

State	Year	Number of Transfers
Total	**2022**	**0**
	2023	**0**
	2024	**0**

Table No. 3
Status of Franchised Outlets
For Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Arkansas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	1	0	0	1
Illinois	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Missouri	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
North Carolina	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Ohio	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Total	**2022**	**5**	**0**	**0**	**0**	**0**	**0**	**5**
	2023	**5**	**1**	**0**	**0**	**0**	**0**	**6**
	2024	**6**	**1**	**0**	**0**	**0**	**0**	**7**

Table No. 4
Status of Company-Owned Outlets[a]
For Years 2022 to 2024

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Illinois	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Missouri	2022	6	0	0	1	0	5
	2023	5	0	0	0	0	5
	2024	5	0	0	0	0	5
Total	**2022**	**8**	**0**	**0**	**1**	**0**	**7**
	2023	**7**	**0**	**0**	**0**	**0**	**7**
	2024	**7**	**0**	**0**	**0**	**0**	**7**

We do not have any company-owned outlets at this time. However, our affiliates own and operate Hotshots Sports Bar and Grill restaurants. These outlets are listed in Exhibit D.

Exhibit D lists the names, addresses and telephone numbers of all of our operating franchisees. Exhibit D also lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet transferred, terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Table No. 5
Projected Openings As of December 31, 2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
Colorado	0	1	0
Florida	1	1	0
Georgia	0	1	0
Illinois	0	1	0
Oklahoma	0	1	0
Texas	2	1	0
Total	**3**	**2**	**0**

Our franchisees have not signed confidentiality clauses restricting their ability to speak openly about their experience with us during the last 3 years. However, in some instances, former franchisees sign provisions restricting their ability to speak about their experience with us. You may wish to speak with former franchisees, but be aware that not all such former franchisees will be able to communicate with you.

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

ITEM 21
FINANCIAL STATEMENTS

Our fiscal year ends on December 31.

Attached to this disclosure document as Exhibit E are our audited financial statements as of December 31, 2024, 2023, and 2022.

ITEM 22

CONTRACTS

The following are attached to this disclosure document:

Exhibit A – Franchise Agreement
Exhibit B – MUD Agreement

ITEM 23
RECEIPT

See Exhibit I.

EXHIBIT A
FRANCHISE AGREEMENT

HSF FRANCHISING, LLC
FRANCHISE AGREEMENT

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HSF FRANCHISING, LLC
FRANCHISE AGREEMENT

This Franchise Agreement is entered into this ________ day of ____________, 20______, by and between HSF FRANCHISING, LLC, a Missouri limited liability company ("us," "our" or "we"), and ____, a _____________________ ("you" or "your").

RECITALS

WHEREAS, our Affiliate, 1636 Country Club Plaza, Inc. ("Licensing"), licensed us the right to sublicense the Marks and the System in connection with the operation of a Hotshots Sports Bar and Grill restaurant; and

WHEREAS, you recognize the benefits from being identified with and licensed by us and desire a franchise to establish and operate a Hotshots Sports Bar and Grill restaurant using the Marks and System and we are willing to grant such a franchise on the terms and conditions in this Agreement.

NOW, the parties agree as follows:

I. DEFINITIONS

For purposes of this Agreement, the following terms will have the meaning as defined below:

A. "Affiliates" means individually or collectively, any and all entities controlling, controlled by, or under common ownership with us including Licensing, 12154 Rock Road, Inc., 14051 Manchester, Inc., 3333 Ridgeway, Inc., 4021 Union, L.L.C., 215 O'Fallon Place, L.L.C., 950-952 South Highway, L.L.C., 1319 Central Park, L.L.C., 12664 Dorsett Road, L.L.C., Hotshots Wentzville, L.L.C. and 2511 IL-157, L.L.C. In this definition, "control" and similar terms means owning more than 50% of the voting interest in an entity.

B. "Grill" means the Hotshots Sports Bar and Grill restaurant which is the subject of this Agreement.

C. "Competitive Business" means any sports-themed bar and restaurant that specializes in offering alcoholic beverages, grilled foods, chicken wings, soups, salads, hot and cold sandwiches and/or pizza, and/or providing customers access to billiards, darts, and/or arcade games.

D. "Gross Sales" means the total amount of all sales of products, services, vending and entertainment sources, and merchandise sold from, thru, or in connection with the Grill, whether for cash, on credit, barter or otherwise, exclusive of applicable sales, use or service taxes, incl.

E. "Marks" means such service marks, trademarks, trade dress, trade names, logos and commercial symbols, and all configurations and derivations thereof, as may presently exist, or which may be modified, changed, or acquired by us or our Affiliates, in connection with the operation of the business contemplated by this Agreement. Marks currently include "Hotshots", "Hotshots Sports Bar and Grill" and design and "HS" design.

F. "Non-Traditional Location" means a location that is a transportation facility, sporting facility, shopping mall, educational facility or military facility.

G. "Hotshots Sports Bar and Grill restaurant" means the Grill and any other restaurant operating under the System and Marks, whether owned by us or any Affiliate, or licensed or franchised by us or any Affiliate.

H. "Principal Owner" means you if you are a sole proprietor, the majority shareholder of you if you are a corporation, a partner owning a majority interest of you if you are a partnership or a member or manager owning the majority interest of you if you are a limited liability company. In the event there are multiple owners with equal interest in you, then you will designate 1 of these owners to be the Principal Owner for purposes of this Agreement.

I. "System" means a specially developed method of operating a sports-themed bar and restaurant offering alcoholic beverages, grilled foods, chicken wings, soups salads, hot and cold sandwiches and/or pizza and providing customers access to billiards, darts and/or arcade games under the Marks using certain procedures and methods, recipes, site evaluation criteria, layouts, accounting methods, advertising, sales and promotional techniques, personnel training, trade secrets and any other matters relating to the operation and promotion of a Hotshots Sports Bar and Grill restaurant, as they may be changed, improved, modified and further developed by us or our Affiliates from time to time.

J. "Term" (whether or not capitalized) means the Initial Term, any Renewal Term and any continuation of the Initial Term or any Renewal Term, individually and collectively.

K. "Transfer" means and includes any voluntary or involuntary, direct or indirect, assignment, sale, gift, conveyance, lease or other disposition of an interest in this Agreement, you or the Grill, including: (a) transfer of any capital stock, partnership interest, limited liability company interest or other ownership interest; (b) merger, consolidation, reorganization, business combination or other issuance of additional stock or ownership interests; (c) transfer in bankruptcy or dissolution of marriage or otherwise by operation of law or by order of court; (d) transfer to a personal representative upon disability or transfer upon the death of a Principal Owner; (e) the grant or creation of any lien or encumbrance on any ownership interest or asset; (f) the grant of any option, call, warrant, conversion rights or rights to acquire any equity or voting interest; (g) assignment of contract rights; or (h) sale of assets (including the inventory, furniture, fixtures, equipment and other operating assets of the Grill, other than in ordinary course of business).

L. "You" or "Your" also includes: (a) those persons and their spouses owning any interest in you if you are a corporation or a limited liability company; (b) all partners and their spouses owning any partnership interest in you if you are a partnership; (c) the individual and his or her spouse who owns you if you are a sole proprietorship; (d) the guarantors of this Agreement; and (e) the Principal Owner. For purposes of determining ownership in you, the interests owned by a husband and wife will be considered one interest, and both husband and wife will be obligated hereunder, regardless of whether the interest is owned by just one spouse or both spouses.

II. GRANT OF FRANCHISE

A. **Grant of License**. We grant to you and you accept from us, a non-exclusive right to use the System and Marks to open and operate one Hotshots Sports Bar and Grill restaurant to be located at the site listed in Exhibit I, attached to this Agreement (the "Site"). If no Site is specified at the time you and we sign this Agreement, an appropriate location will be specified when it is determined and you and we agree to initial a completed Exhibit I describing that location. For you to operate a Hotshots Sports Bar and Grill restaurant at an additional location, a separate Franchise Agreement must be signed and you will be required to pay us an additional initial franchise fee.

B. **Assigned Territory**. You are granted an assigned territory, which is described on Exhibit I attached to this Agreement (the "Assigned Territory"). The Assigned Territory will be determined at the time the Site is agreed to by both parties, and will be specified in Exhibit I, which you and we will initial. So long as this Agreement is in effect and you are not in default, we and our Affiliates will not locate, operate, or grant a license or franchise for another Hotshots Sports Bar and Grill restaurant within your Assigned Territory other than in a Non-Traditional Location. A Non-Traditional Location is not considered part of the Assigned Territory, even if it located within the geographic boundaries of the Assigned Territory.

C. **Retention of Rights**. We, on behalf of ourselves and our Affiliates, reserve all rights not specifically granted to you pursuant to this Agreement, all without compensation to you, including but not limited to the following:

1. We and our Affiliates may own or operate, or license or franchise others to own or operate, Hotshots Sports Bar and Grill restaurants anywhere outside of the Assigned Territory and within the Non-Traditional Locations within and outside of the Assigned Territory.

2. We and our Affiliates are allowed to own, open, franchise, operate, and/or manage any businesses or restaurants within the Assigned Territory or outside of the Assigned Territory under trademarks or service marks different than the Marks.

3. We and our Affiliates are allowed to own, open, franchise, operate, and/or manage any business or restaurant within the Assigned Territory or outside of the Assigned Territory under systems that are different than the System.

4. We and our Affiliates may develop, merchandise, sell and license others to sell products bearing the Marks through other channels of distribution such as grocery stores, the Internet, print catalogues, direct marketing media and any other non-restaurant outlets (grocery stores and warehouse clubs) within the Assigned Territory or outside of the Assigned Territory, and we may promote products bearing the Marks at special events, athletic contests, etc., through temporary locations and mobile units.

5. We and our Affiliates have the right, now or in the future, to purchase, be purchased, merge, acquire, be acquired or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and we or the acquirer in such a transaction shall have the right to operate, franchise or license those businesses and/or facilities as "Hotshots Sports Bar and Grill" restaurants operating under the Marks or any other proprietary marks following the purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be within your Assigned Territory or close to your Assigned Territory or your Site).

6. We and our Affiliates may sell ourselves, our assets, our Marks or other trademarks or service marks, or our System or any other system to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations or entities, or be acquired by another corporation or entity; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above transactions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of our name, the Marks (or any variation thereof), the System and/or the loss of association with or identification of "Hotshots Sports Bar and Grill" as a franchisee under this Agreement. If we assign our rights in this Agreement, nothing will be deemed to require us to remain in the restaurant business or to offer or sell any products or services to you.

III. LOCATION AND LEASE

A. **Site Selection**. You will select the proposed site for the location of the Grill and submit a completed site analysis package, including demographics and other material requested by us containing all information reasonably required by us to assess the proposed site. Within 30 days after receipt, we will advise you whether the proposed site is acceptable. We are not responsible for and do not make any warranty regarding the suitability of the Site. Our consent to a proposed site means only that the proposed site meets our minimum standards for an acceptable location of a Hotshots Sports Bar and Grill restaurant. You are primarily responsible for investigating the Site and having any leases or sale contract for the Site reviewed and approved by your attorney.

B. **Site Acquisition**.

1. **Our Consent to Lease**. If you intend to lease the Site, you must submit a copy of the proposed lease to us for our consent. Within 10 days of signing the lease, you must provide us with a copy of the executed lease. The term of the lease plus all renewal option period together will equal or exceed the Term of this Agreement. Our consent to the lease means only that the lease meets our minimum standards and is not a warranty as to the appropriateness of the lease or any of its terms. Your lease for the Site must contain substantially the same terms as found on Exhibit II attached to this Agreement. In addition, you must execute a Collateral Assignment of Lease in the form found in Exhibit III, attached to this Agreement, whereby you agree to assign your rights in the lease to us in the event of a termination or expiration of this Agreement or a default under the lease. We strongly recommend that you hire a professional leasing agent to assist you in site location and lease negotiations. We may recommend or approve leasing agents; however, we are not liable for any acts or omissions of these agents, and any agent will be an independent contractor.

2. **Proof of Ownership**. If you intend to own the Site, within 90 days of us consenting to the Site, you must furnish to us proof of ownership or an executed sale contract for the Site. Your submission of proof of ownership or an executed sale contract will be deemed a warranty by you that the Site can be utilized for restaurant purposes according to the terms of this Agreement. You must create a separate entity to own the Site and then lease the Site to you at its full rental value and on commercially reasonable terms in accordance with Section III.B.1.

C. **Relocation**. So long as you are not in default under the Franchise Agreement, you may relocate the Grill within the Assigned Territory with our prior written consent. However, the Assigned Territory for the relocated Site will be subject to renegotiation. Regardless of the reason for relocating, you agree to pay all costs and expenses of relocating the Grill including the cost of any demographic or other study of the proposed site and our cost and expenses in reviewing the proposed site.

IV. INITIAL FRANCHISE FEE

You must pay us an initial franchise fee (“Initial Franchise Fee”) when you sign this Agreement. The amount of the Initial Franchise Fee is $50,000. The Initial Franchise Fee is fully earned when paid and is not refundable under any circumstances.

V. TERM

A. **Term**. The term of this Agreement will begin on the date of this Agreement, and, unless it is terminated earlier according to the terms of this Agreement, will expire 10 years later (“Initial Term”).

B. **Continuation**. If you continue to operate the Grill with our express or implied consent following the expiration of this Agreement, the continuation will be a month-to-month extension of this Agreement, unless otherwise set forth in writing. All provisions of this Agreement will apply while you continue to operate the Grill. This Agreement will then be terminable by either party on 30 days written notice to the other party.

C. **Renewal**. You will have the right to renew for 2 additional terms of 5 years each (each a "Renewal Term") if you are in full compliance with the terms of this Agreement and you agree to execute the most current franchise agreement being utilized by us at the time you renew and all ancillary agreements required in that franchise agreement (including a personal guarantee). The most current franchise agreement may contain significantly different terms than this Agreement. In any event, we may, in our discretion, refuse to renew this Agreement if you have been notified of defaults (even if subsequently cured) under this Agreement more than 2 times during the Term or more than 2 times during any renewal term, even if you are not in default at the time of the renewal. You agree to give us not less than 6 nor more than 18 months written notice of your election to renew this Agreement prior to the end of the Term or the then-expiring renewal term. Your failure to give us this notice will be deemed an election not to renew this Agreement. You will also be required to pay us a renewal fee of 25% of the then current initial franchise fee each time you execute the franchise agreement for a renewal term. This renewal fee is not refundable under any circumstances. Additionally, you must remodel the Grill to meet our then current standards of decor in accordance with the provisions of our Confidential Operations Manual and must execute a general release, to the extent permitted by applicable law, of any and all claims against us and our Affiliates, and our and our Affiliates' respective owners, officers, directors, employees, agents, successors and assigns arising under or from this Agreement, any related agreements between you and us or our Affiliates, or any applicable law, rule or regulation.

VI. FEES

A. **Royalty Fee**. You will pay us a continuing weekly royalty fee ("Royalty Fee") equal to the greater of: (i) 6% of Gross Sales from the preceding week; or (ii) the Minimum Royalty. The Minimum Royalty is based on the number of years your Grill has been operating. In the first year, the "Minimum Royalty" is $0. Beginning in the second year and continuing thereafter, the "Minimum Royalty" is $500 per week.

B. **Advertising Fee**. You will pay us a continuing weekly advertising fee of up to 5% of Gross Sales from the preceding week ("Advertising Fee") which will be deposited into the Advertising Fund described below. Currently, the Advertising Fee is 2%. We may determine to increase the Advertising Fee you are required to pay us, but we cannot increase the Advertising Fee more than 0.5% per year, and the maximum Advertising Fee you will be required to pay us is 5%.

C. **Restrictions on Liquor Sales**. If a state or local law applicable to your Grill prohibits or restricts in any way your ability to pay Royalty Fees, Advertising Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Grill, then the percentage rate for calculating such fees shall be increased, and the definition of Gross Sales shall be changed to exclude sales of alcoholic beverages, so that the fees to be paid by you shall be equal to the amounts you would have had to pay if sales from alcoholic beverages were included in Gross Sales. For example, if you generated $15,000 in Gross Sales, of which $5,000 is from the sale of alcoholic beverages, then your weekly Royalty Fee is $900 (6% x $15,000). If you are not permitted by law to pay Royalty Fees on the sale of alcoholic beverages, then we must recalculate your royalty percentage so that you still pay the full Royalty Fee that you would pay us if this law did not exist. In the above example, we must deduct $5,000 from the Gross Sales and raise your royalty percentage to 9% so that we may collect the same $900 Royalty Fee from you ($15,000 - $5,000 = $10,000 x 9% = $900).

D. **Time and Manner of Payments**. Royalty Fees, Advertising Fees and any other periodic fees due under this Agreement will be paid each Tuesday based on the Gross Sales of the previous week, Monday through Sunday. However, if any Tuesday is a legal holiday, the payment will be made on the next day which is not a legal holiday). All of these payments will be made via electronic funds transfer ("EFT") or such other manner which we may designate from time to time. None of these fees are refundable. You will comply with the procedures specified in the Confidential Operations Manual or as otherwise communicated to you for such EFT program or other manner of payment we establish, and you will perform the acts and sign the documents, including authorization forms that we, our bank, and your bank may require to accomplish such payment methods, including authorizations for us to initiate debit entries and/or credit correction entries to a designated checking or savings account. In addition, you will pay all costs associated with utilizing an EFT payment program or other manner of payment we establish. Failure to maintain adequate funds in the designated account or your failure to pay all amounts due will be considered a breach of this Agreement and grounds for termination. You must also submit all sales and other reports required to be submitted to us by this Agreement, the Confidential Operations Manual or as otherwise communicated to you. If you fail to timely report to us, in addition to any applicable late charges, we have the right, but not the obligation, to debit from such your account an estimated amount equal to the fees due and payable to us during the most recent week for which we received reports.

E. **Interest on Late Payments**. If Royalty Fees and/or Advertising Fees are overdue, we have the right to charge interest on these overdue amounts equal to the lesser of 1 ½% per month or the maximum legal rate in the jurisdiction where the Grill is located. Our right to interest is in addition to any other remedies that we may have.

F. **No Right of Offset**. You agree to make prompt payment, without deduction or set-off, of all charges which are properly due, including the Royalty Fees and Advertising Fees. You cannot withhold any payment to us or our Affiliates on the grounds of non-performance by us of any of our obligations hereunder.

G. **Under-Reporting**. If we determine that that you under-reported Gross Sales, you will reimburse us for the amount of the Royalty Fees and Advertising Fees that would have been due had Gross Sales been reported accurately, plus interest on those amounts at the rate of the lesser of 1 ½% per month or the maximum legal rate in the jurisdiction where the Grill is located. In addition, if the amount of Gross Sales reported for any calendar year is less than 98% of the actual Gross Sales for that period and/or you fail to provide us reports we require in a timely manner, you agree to reimburse us for all costs of the investigation or audit, including salaries, professional fees, travel, meals and lodging.

H. **Late Reporting**. If you fail to send us a report that is due, we can charge you, to the extent permitted by law, a late report fee of $100 plus $100 for each week your report is late.

I. **Taxes**. You agree to indemnify and/or reimburse us and our Affiliates for all capital, gross receipts, sales, and other taxes and assessments imposed by any applicable state or local governmental authority as a result of the conduct of the Grill's business or the license of any of our or our Affiliates' intangible property to you (whether required to be paid by us or our Affiliates, withheld by you or otherwise). Your obligation to indemnify or reimburse us or our Affiliates for these taxes does not extend to income-type taxes which a state or local government imposes on us or our Affiliates' income.

VII. ADVERTISING

A. **Advertising Fund**. Advertising Fees will be deposited into the Advertising Fund ("Advertising Fund"). The Advertising Fund will be used to provide advertising and promotional activities we deem beneficial to the System. We agree to use the Advertising Fees received from you for the payment of costs associated with the creation, production, distribution, media placement and administration of local, state, regional or national advertising programs we may develop or have developed, and for any taxes incurred on these funds. The Advertising Fund is intended to maximize recognition of the Marks and the patronage of the Hotshots Sports Bar and Grill restaurants generally. Although we will try to use the Advertising Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Hotshots Sports Bar and Grill restaurants, we do not ensure that the Advertising Fund expenditures in or affecting any geographic area will be proportionate or equivalent to the Advertising fund contributions by Hotshots Sports Bar and Grill restaurants operating in that geographic area or that any particular Hotshots Sports Bar and Grill restaurant will benefit directly or in proportion to its Advertising Fund contributions. We have the right to determine the type of advertising and the media in which it will appear. We have the sole right to formulate and make policy decisions concerning every aspect of the advertising and promotional activities, consistent with applicable law. We do not have to spend the advertising funds during any specific time period. Advertising may be handled by an outside advertising or marketing agency which we select.

Unaudited financial statements of the Advertising Fund will be made available to you on your reasonable request. If we do not use all the funds deposited in the Advertising Fund in a particular fiscal year, the remaining funds will be carried over to the next fiscal year and be included in that year's advertising budget. We are entitled to reimbursement from the Advertising Fund to cover our administrative and overhead expenses associated with operating the Advertising Fund. The Advertising Fund is not our asset. The Advertising Fund is not a trust. We have a contractual obligation to hold all Advertising Fund contributions for the benefit of the contributors and to use the contributions only for the purposes described above. We have no fiduciary obligation to you for administering the Advertising Fund.

B. **Your Own Advertising**. In addition to the Advertising Fee and your grand opening advertising requirements described below, beginning in the fourth month after you open your Grill for business, each month you must spend at least 2% of your Gross Sales from the previous month on your own advertising. You must provide proof of your advertising and sales promotion expenditures in such form, with such detail and including copies of such advertising and materials and receipts as we request. We must consent to your use of any advertising and sale promotion materials before you use them. You must submit all your advertising and sale promotion materials to us or our designee at least 20 days prior to use. If we do not reject these materials within 20 days, we will be deemed to have consented to your use of them. We may, to the extent permitted by applicable law, set resale prices for the products or services you offer at the Grill.

You will not advertise, or use in advertising or other form of promotion, the Marks without the appropriate copyright, trademark, and service mark symbols ("©", "®", "TM" or "SM") as we direct. You will not advertise your products or services or use the Marks on the Internet except with our prior consent.

All advertising and promotion materials used by you, whether or not created or consented to by us, must comply with applicable law, including state and local liquor laws.

You will not distribute individual advertising items (i.e., coupons, circular advertising, etc.) outside of your Assigned Territory, unless you use a form of advertising which is not programmed to restrict delivery to the Assigned Territory, such as direct mail advertising by outside contractors based on zip code. Any advertising on the Internet, delivered by facsimile, electronic mail or other electronic means shall be pre-approved by us and on terms specified by us. We may require you to place all such electronic advertisements with us or our designated third-party vendor.

C. **Yellow Pages; Internet Directories**. You agree to participate with other Hotshots Sports Bar and Grill restaurants in placing advertisements in the applicable Yellow Pages and/or other directories including Internet telephone directories and to pay your proportionate cost for this type of telephone directory advertising. In the event the Grill is the only Hotshots Sports Bar and Grill restaurant located within the geographic area covered by the telephone directory, we may require you to advertise in this directory without any cost sharing arrangement. Yellow Page advertising costs must be paid in addition to the amounts payable to the Advertising Fund, but will count towards the minimum required amount you must spend for your own advertising, as described above.

D. **Grand Opening Advertising**. In addition to the other advertising requirements described above, you must spend a minimum of $25,000 for grand opening advertising and sales promotions within 90 days of the Grill opening. Additionally, you will provide us, within 120 days after the opening of the Grill, proof of your advertising and sales promotion expenditures in such form, with such detail and including copies of such advertising and materials and receipts as we request.

E. **Local Advertising Cooperative**. We reserve the right to identify certain advertising markets that may benefit from the formation of a local or regional advertising cooperative. Any cooperative we established is required to operate under governing documents designated by us. If your Grill is located in an area we have designated for an advertising cooperative, you will be required to join the cooperative. All members of a cooperative will be required to pay monthly contributions to the cooperative at the rates established by the governing body of such cooperative. Any such contribution will be in addition to the other marketing and advertising costs required under this Agreement, including the Advertising Fee. The members and their elected officers will be responsible for the operation of the advertising cooperative, but we will have the right to approve all advertising, marketing, and public relations activities of the cooperative. We reserve the right to change, dissolve or merge any established cooperative.

VIII. OUR GENERAL DUTIES

A. **Initial Training**. We will provide an initial training program for the operation of a Hotshots Sports Bar and Grill restaurant using the System and Marks for the Principal Owner and up to 7 designated managers. The initial training program is furnished after this Agreement is signed and prior to the opening of the Grill. Prior to attending our initial training, the Principal Owner and your designated managers must successfully complete a responsible beverage server training course we approve in addition to other state and locally required courses applicable to the Grill. The training program will be furnished at such time and place as we may designate. You will pay all transportation, lodging, meals and other expenses incurred by you and your employees in attending this program. At least 7 designated managers (which we may require to consist of a general manager, 3 assistant managers, 1 kitchen manager, and 2 assistant kitchen managers) and your Principal Owner must attend and satisfactorily complete the training program before opening the Grill. If these persons fail to complete the initial training program to our satisfaction, we have the right to terminate the term of this Agreement. Satisfactory completion of the training program is, however, no assurance of the success of the Grill. If you currently operate a Hotshots Sports Bar and Grill restaurant, the initial training program will not be mandatory or provided unless we deem it necessary.

B. **Subsequent Training**. We may offer training for your new employees who are not initially trained pursuant to this Agreement. If your designated managers or Principal Owner no longer operate the Grill, we may require your replacement managers or another Principal Owner to attend training. We may also provide refresher programs to experienced employees or managers. We are permitted to charge a reasonable fee for any subsequent training we may offer or require. We reserve the right to designate certain training programs or meetings as mandatory and to treat your failure to have a representative attend as a material breach of this Agreement. You must pay the compensation of the trainees as well as such trainees' travel, lodging and personal expenses during any subsequent training.

C. **Opening Assistance**. We will provide an on-site opening assistance consisting of at least 1 person for a period of 10 consecutive days, as follows: 3 days prior to the scheduled Grill opening for a "dry run" and 7 days after the scheduled Grill opening (including the day the Grill opens). If you currently operate a Hotshots Sports Bar and Grill restaurant, the opening assistance will not be offered unless we deem it necessary.

D. **Continuing Advisory Assistance**. We will make available continuing advisory assistance in the operation of the Grill, rendered in such manner and available from time to time, as we may deem appropriate. If we send our representatives to your Grill to provide assistance, we reserve the right to charge a reasonable fee for this type of assistance.

E. **Layout and Design**. We may, but are not required to, provide you with suggestions for layout and design of a typical Hotshots Sports Bar and Grill restaurant. These suggestions will not include the requirements of any federal, state, or local law, code, or regulation, including those concerning the Americans with Disabilities Act or similar rules governing public accommodations for persons with disabilities, nor will such suggestions include the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Grill.

IX. YOUR GENERAL DUTIES

A. **Grill Opening and Construction**. You agree to begin operation of the Grill within 1 year after the date of this Agreement. You will construct and equip the Grill according to the specifications prepared by you and subject to our right to consent. You must pay for the cost of construction drawings and other documentation necessary to build, obtain permits or receive other necessary authorizations for constructing the Grill. You must submit these plans and other documents, along with any revisions of them made during the construction process, to us for our consent prior to your use of them. Our review will be limited to reviewing these plans and documents to assess compliance with our design specifications and standards for Hotshots Sports Bar and Grill restaurants, including items such as trade dress, presentation of trademarks, and the provision to the potential customer of certain products and services that are central to the functioning of the Grill under the System. Our review is not designed to assess, nor does it assess, compliance with federal, state or local laws and regulations, including the Americans with Disabilities Act, as compliance with such laws is your sole responsibility. The opening of the Grill may be delayed only if the delay is caused by contingencies not within your control, like acts of God, governmental restrictions, strikes or labor disputes, the occurrence of which we are given notice within a reasonable period time. You will use your best efforts to cure any delay. Any permitted delay in completion will only be for a period of days equal to the number of days during which such event actually prevents completion.

B. **Use of Name and System**. You agree that during the term of this Agreement, you will operate, advertise and promote the Grill under the name "Hotshots Sports Bar and Grill" without prefix or suffix and to adopt and use the Marks and System licensed hereunder solely in the manner prescribed by us. You agree to identify the Grill with a sign in compliance with applicable local ordinances and approved by us.

C. **Compliance with Laws**. You agree to operate the Grill in compliance with applicable laws and governmental regulations and in accordance with the operational standards we may establish from time to time. At all times you will comply with all federal, state, municipal, and local laws, rules, regulations, ordinances, and codes applicable and related to this Agreement, the Grill, and all aspects of the conduct of the Grill. You must obtain all licenses and permits required by any applicable federal, state, municipal, and local law, rule, regulation, ordinance and code to operate the Grill as required by this Agreement. You must make timely filings of all tax returns and pay when due all taxes levied or assessed on, and related to this Agreement and the Grill. At no time are we required to inform you of any federal, state, municipal, or local law, rule, regulation, ordinance code, or tax. Any such information we do provide to you, whether as part of the Confidential Operations Manual or otherwise, is for general information purposes only and may not be applicable to your Grill. Such information is not to be construed as legal advice. Within 5 days of your receipt of each health and/or food safety inspection report you receive from the governing municipality, you must forward a copy of this/these reports to us.

D. **Standards of Operation**. The Grill must conform with the mandatory standards relating to signage, color scheme, appearance, hours of operation, cleanliness, sanitation, size of food item portions, menus, methods of preparation, employee uniforms, type of equipment and decor as designated by us.

Unless we give you our prior consent, you must offer all menu items and other products and services required by us in our Confidential Operations Manual or in any other written instruction we give to you. You will not conduct any business or sell any products other than those approved by us, and agree to at all times dispense and sell such food items which are prepared in accordance with our secret recipes and which meet our uniform standards of quality, quantity, appearance, and taste. Uniformity of products and services offered by all Hotshots Sports Bar and Grill restaurants is of utmost importance to us and the entire System. If you offer to sell or do sell products or services which are not authorized or are not prepared in accordance with the Confidential Operations Manual, you agree that we will be damaged. These damages will be calculated at the rate of $200 per day for each day you offer or sell unauthorized products or services and will be in addition to any other rights and remedies we may have against you. We have the right to collect these amounts in addition to exercising any and all other rights we may have for non-compliance under this Agreement. You agree that a precise calculation of the full extent of the damages that we will incur from the offer or sale of unauthorized products and services are difficult to determine and that all parties desire certainty in this matter and agree that the damages provided here are reasonable and constitute liquidated damages and not a penalty.

You will not sell any product which is adulterated, contaminated, spoiled, unsafe or otherwise unfit for human consumption. You must keep the premises clean and provide prompt and courteous service to its customers. We may, to the extent permitted by applicable law, set the prices for the products or services you offer at the Grill. Each manager you employ must satisfactorily complete our initial training program. You agree to, and will take all steps as are necessary to, ensure that all your employees treat each customer fairly and provide services in an honest, ethical, and non-discriminatory manner. You must not advertise in a deceptive, misleading, or unethical manner and agrees to meet such minimum standards as we may establish from time to time in the Confidential Operations Manual.

We may require you, if permitted by applicable law, to participate in a gift card or other customer loyalty program in accordance with the provisions either set forth in the Confidential Operations Manual or otherwise disclosed to you. To participate, you may be required to purchase additional equipment and pay any fees applicable to the use of that equipment. If we establish a gift card or loyalty program, we have the right to determine how the amount of the gift cards or loyalty cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards.

E. **Staffing**. You will maintain a competent, conscientious, and trained staff. You will be solely responsible for all employment decisions and functions of the Grill including those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision and discipline of employees. You will be solely responsible for having your employees attend any locally required alcohol serving course, such as ServSafe or TIPS.

F. **Security and Safety Procedures**. You are solely responsible for taking necessary or appropriate security and safety measures to protect employees, customers, those engaging in business with you, those coming on the premises of the Grill and the general public at large. We do not in any way share any of that responsibility.

G. **Actual Participation**. You recognize the importance of the Principal Owner's and/or designated manager's participation in the management of the Grill and that the Principal Owner's and/or designated manager's agreement to participate in the management of the Grill is a material inducement for us to enter into this Agreement. Therefore, you agree that either the Principal Owner or a designated manager who has satisfactorily completed our initial training program are required to use his or her best efforts and are personally responsible for the management of the Grill on a day-to-day basis. Whether or not participating in the day-to-day management of the Grill, the Principal Owner is required to carefully monitor and be responsible for the performance of anyone designated to manage the operation of the Grill.

Supervisory personnel, including your designated manager are required to sign an agreement regarding confidentiality and covenants not to compete which is set forth in Exhibit IV of this Agreement.

H. **Insurance**. You will at all times maintain at your sole expense commercial general liability insurance, liquor liability insurance, property insurance and business interruption insurance in conjunction with the operation of the Grill. You will obtain and maintain the minimum insurance as set forth below:

Commercial General Liability (Occurrence Form)

• General aggregate (other than Product/Completed Operations Liability)	$2,000,000.00
• Product/Completed Operations Aggregate	$2,000,000.00
• Personal and Advertising Injury Aggregate	$1,000,000.00
• Bodily Injury and Property Damage (per occurrence)	$1,000,000.00
• Liquor Liability	$1,000,000.00
• Employment Practices	$1,000,000.00
• Assault or Battery Coverage (per occurrence)	$100,000.00
• Assault or Battery Coverage (aggregate)	$100,000.00
Personal Property	$250,000.00
Business Interruption	$150,000.00
Employment Practices Liability	
• Limit for Insured (aggregate)	$1,000,000.00
• Limit for us as Additional Named Insured (aggregate)	$100,000.00

Regardless of the amounts set forth above, it is your responsibility to maintain adequate insurance coverage at all times during the term of and after the expiration of this Agreement, so that coverage, including but not limited to any policies that are on a "claims made" basis, which through the purchase of an extended reporting endorsement (i.e., "tail" insurance") will be in effect for acts or omissions that occurred prior to the termination of the policy and are reported within a 24 month period following the end of the policy period. We may, from time to time, in our sole discretion, make such changes in minimum policy limits, coverage, and endorsements as we may determine. You agree to comply with any of these changes, at your sole cost and expense. All general liability insurance policies will provide that we must receive 30 days prior written notice of any termination, expiration or cancellation of the insurance policy. Each insurance policy maintained by you for your Grill must: (a) name you as the first named insured; (b) must name us, and our parent, subsidiaries, affiliates, successors, and assigns as additional insureds; (c) include a waiver of the insurer's right of subrogation against any additional insureds; and (d) provide coverage for your indemnification obligations under this Agreement. Each year you must provide us with a certificate or other evidence of your compliance with our insurance requirements. If you fail to maintain such insurance, we may procure such insurance on your behalf and will be entitled to reimbursement from you of our costs to do so, in addition to any other rights and remedies we may have under this Agreement. However, we are not obligated to obtain such insurance on behalf of you. Regardless of the amounts set forth above, it will be your responsibility to maintain adequate insurance coverage at all times during the term of and after the expiration of this Agreement. You recognize that the levels of insurance described above are merely minimum requirements. You should determine if additional insurance is necessary through consultation with your advisors. Your failure to maintain coverage will not relieve you of any contractual responsibility or obligation or liability under this Agreement.

I. **Inspections**. You must permit our representatives or agents or the representatives or agents of our Affiliates to enter the business premises with or without notice during regular business hours to inspect the Grill and audit the business operations, including all books and records. In conducting inspections, we have the right to observe, photograph and videotape the operations of your Grill for such consecutive or intermittent periods as we deem necessary, to remove samples of any menu items or other products or materials for testing and analysis, and to interview personnel and customers of your Grill. You also grant us permission to examine all records of any supplier from whom you have made purchases. You will keep on file and make available for our review the following documents and reports: weekly inventory sheets, deposit slips, bank statements and canceled checks, sales and purchase records, business tax returns and such other accounting records for such periods of time as is necessary to provide appropriate documentation in the event of an audit of your business by any governmental taxing authority having jurisdiction over you. Our right to approve certain matters, to inspect the Grill and its operation and to enforce our rights, exists to protect our interest in the System and Marks for the benefit of us, our Affiliates and all Hotshots Sports Bar and Grill restaurants. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control, over those matters which are clearly reserved to you, nor will they be construed to do so. The obligations of this provision survive termination or expiration of the term of this Agreement.

J. **Cooperation for Financial Performance Representations**. You will maintain your books and records in accordance with generally acceptable accounting principles, consistently applied. If we at any time desire to utilize a financial performance representation or similar document in connection with the sale of franchises, you agree to provide us, at no cost, with such reasonable information as we may require in order to properly prepare such representation, and will permit us to utilize such information as we deem necessary.

K. **Innovations**. All ideas, concepts, techniques, innovations, developments, improvements, suggestions or materials concerning a Hotshots Sports Bar and Grill restaurant, whether or not protectable intellectual property and whether created by or for you or your owners, affiliates, employees or representatives, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System and works made-for-hire for us. To the extent any such item does not qualify as a "work made-for-hire" for us, you must assign, or must require your owners, affiliates, employees or representatives to assign, your or their ownership interest of such item to us. You agree to take, or direct your owners, affiliates, employees or representatives to take, whatever action required by us to document such assignment or to assist us in obtaining any and all intellectual property rights in such item. In the event that this provision is found to be invalid or unenforceable, you and your owners grant to us a worldwide, perpetual, non-exclusive and fully paid license to use and sublicense the use of such ideas, concepts, techniques, innovations, developments, improvements, suggestions or materials.

L. **Remodeling**. We may require you to make capital expenditures to remodel the Grill to reflect our then current standards for Hotshots Sports Bar and Grill restaurants. Compliance with these standards may be an ongoing obligation of yours, and may be a condition of our consenting to a renewal of this Agreement or our consenting to a Transfer.

M. **Financial Reports**. You will maintain and preserve for at least 5 years from the dates of their preparation, full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by us from time to time. You will send us annual income and expense statements within 60 days of the end of your fiscal year. You will also send us monthly profit and loss statements by the 20th day of the following month and any other information or reports including copies of balance sheets, copies of sales tax returns, and such other financial reports and information as we may reasonably request. However, you will not be obligated to disclose confidential tax returns if such disclosure would violate applicable state law. All reporting data will be prepared in accordance with generally accepted accounting principles, consistently applied. At all times, we will have access to and may use the information contained in your books, records and accounts for any purpose we deem appropriate, including, but not limited to, disseminating such information to our creditors and potential franchisees (except that we will not disclose social security number, birth date or home address information without your consent, unless required or permitted by law).

N. **Assignment by You**. You grant us an irrevocable, world-wide, royalty-free license to use your likeness or images of the Grill, in any manner we deem appropriate in our sole discretion, including our or our Affiliates' use on any Internet domain or website we or they create or through any other Internet representation we deem appropriate for the System. This provision will survive the termination or expiration of the term of this Agreement.

O. **Maintenance of the Grill**. You must keep the exterior and interior of your Grill and all fixtures, equipment, furnishing and signs in the highest degree of cleanliness, orderliness, sanitation and repair and in accordance with the Confidential Operations Manual. You may not make any material alternations, additions, replacements or improvements to your Grill without our prior written consent. You shall equip the Grill with furniture, fixtures, signs and equipment including computer equipment and use the computer software as required in the Confidential Operations Manual which we may change or modify from time to time. You acknowledge and understand that in the future, and from time to time, you may be required to upgrade or purchase or lease new or different furniture, fixtures, equipment and signs. You acknowledge and agree that we have the right to independently access all information collected or compiled by you at any time without first notifying you. There are no contractual limitations on our right to access such information.

X. PROPRIETARY MARKS

A. **Right to Use Marks**. You acknowledge that the Marks are valid service and/or trademarks, which are licensed to us by Licensing. You recognize that valuable goodwill is attached to the Mark. Any goodwill arising out of your use of the Marks inures to the benefit of us and our Affiliates.
You will use the Marks only in the manner and to the extent specifically licensed by this Agreement. Any unauthorized use of the Marks by you is a breach of this Agreement and an infringement of our rights and the rights of our Affiliates. You will ensure that all copyrighted works used bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws. It will be considered a breach of this Agreement if you use, in any unauthorized manner, adapt publish, reproduce, prepare any derivative works, distribute copies of or attempt to recreate all or a portion of such copyrighted works.

B. **Contest of Marks**. You will not directly or indirectly contest or aid in contesting the validity or ownership of the Marks, trade secrets, methods, procedures and advertising techniques which are part of the System, or contest our and our Affiliates' rights to register, use or license others to use the Marks or the System. You will not at any time (whether during or after the term of this Agreement) directly or indirectly infringe on our rights to or in the Marks. You agree to promptly notify us of any claim, demand or suit based upon or arising from any attempt by anyone else to use the Marks, or any colorable variation thereof. We and our Affiliates will have the sole discretion to determine if we will defend the use of the Marks, and we are not obligated to defend the Marks. We or our Affiliates have the right to control any administrative proceeding or litigation involving the Marks. You will execute all instruments and documents, render assistance and do such acts as may, in the opinion of our counsel, be necessary or advisable to protect our interests or the interests of our Affiliates in any such litigation or proceedings, or to otherwise protect and maintain our interest or the interest of our Affiliates in the Marks.

C. **Prohibition on Use of Name**. Your will not use any of the Marks or the name "Hotshots" as part of your corporate name with any prefix, suffix, or other modifying words, terms, designs or symbols. You will, however, identify yourself as our franchisee, solely with the logos and marks licensed by us to you hereunder. You will not incur any obligations or indebtedness except in your name. Further, you will not use our name or Marks (or any marks or names confusingly similar to our name or Marks) as an Internet domain name or in the content of any website.

D. **Change of Marks**. We will have the right to change the Marks to be used by you at any time and for any reason we deem appropriate. You will pay the costs associated with any change in the Marks we make, and you will make these changes promptly. Neither we nor our Affiliates will have any liability or obligation with respect to any required modification, substitution, addition or discontinuance of the use of any Mark.

E. **Use of Marks on the Internet**. You acknowledge that our Affiliate, Licensing, is the lawful, rightful and sole owner of the *www.hotshotsnet.com* Internet address (URL), and you unconditionally disclaim any ownership interest in that or any similar Internet address. You will not maintain a website, mobile application or social media (e.g., LinkedIn, Facebook or Twitter) account or user name, or any other presence, or otherwise advertise on the Internet, or any other public computer network, in connection with the Grill, without our prior written consent or in the manner we approve. You agree not to register any Internet address name under any Internet domain, class or category that contains the word "Hotshots" or any abbreviation, acronym or variation of that word. We and our Affiliates retain the sole right to advertise on the Internet and create a website using any of the Marks or any variation of the Marks. We and our Affiliates retain the sole right to determine the content on any website we create. You agree that we may provide contact information for your Grill on any website we create. We retain the right to pre-approve your use of linking and framing between your web pages and all other websites. You will, within 5 days after our request, dismantle any frames and links between your web pages and any other websites.

XI. TRADE SECRETS

You acknowledge that the trade secrets, information, ideas, research, methods, manuals, sales and marketing procedures, systems, improvements and copyrighted materials, etc., including the Confidential Operations Manual, owned or developed by or licensed to us, whether or not published, confidential or suitable for registration or copyright, and the goodwill associated with them, are and will remain our sole and exclusive property. We are providing or revealing these items to you in trust and confidence. Any and all information, knowledge and know-how not generally known in the business about the System ingredients, recipes, methods of preparation of food and beverage products, specifications, standards, methods, procedures, sales and marketing materials, knowledge of the System and experience in operating a Hotshots Bar and Grill restaurant and other information or material which we may designate as confidential ("Confidential Information and Trade Secrets") are deemed confidential for purposes of this Agreement. You acknowledge that if the System and the Confidential Operations Manual would be used by other persons, firms or corporations, it would give them a substantial competitive advantage which is presently enjoyed by us and our franchisees. You will not, during the term of this Agreement, or after the Transfer or the expiration or termination of the Term of this Agreement for any reason, communicate or divulge to anyone or use any Confidential Information and Trade Secrets, nor will you disclose, use or divulge in whole or in part any Confidential Information and Trade Secrets, unless such information is generally known and in the public domain, and except to the extent necessary to operate the Grill. All your employees will exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all Confidential Information and Trade Secrets and proprietary rights during and after the Term of this Agreement.

XII. NON-COMPETITION

A. **Competing Business During the Term of this Agreement**. You acknowledge the uniqueness of the System and that we are making our knowledge, know-how, and expertise available to you for the purpose of operating the Grill strictly and solely within the Assigned Territory. You agree that it would be an unfair method of competition to use or duplicate or to allow others to use or duplicate any of the knowledge, know-how or expertise you receive from us or our Affiliates for any reason other than for the operation of the Grill under this Agreement. You further recognize the importance of devoting substantial time and energy to the Grill. Therefore, you warrant that during the term of this Agreement, unless you have our prior written consent, neither you nor any of your owners will directly or indirectly perform any services for, engage in or acquire, be an employee of, have any financial, beneficial or equity interest in, or have any interest based on profits or revenues of any Competitive Business except as a duly licensed franchisee of ours (except for a 5% or less beneficial interest in a reporting company registered under the Securities Act of 1933, as amended).

B. **Non-Competition After Term**. For 2 years after the Transfer, or the expiration or termination of the Term of this Agreement for any reason or the entry of final order of a court of competent jurisdiction enforcing this covenant, whichever is later, neither you nor any of your owners will directly or indirectly perform any services for, engage in or acquire, be an employee of, have any financial interest in, loan money to, or have any interest based on profits or revenues of any Competitive Business (except for other outlets franchised from us to you or your owners, and except for a 5% or less beneficial interest in a reporting company registered under the Securities Act of 1933, as amended). The geographical scope of this restriction will cover the area within a 10-mile radius of the Grill and the area within a 10-mile radius of any Hotshots Sports Bar and Grill restaurant that is established, being constructed or subject to an executed Franchise Agreement at the time this restriction begins to be enforced.

C. **Reasonableness of Restrictions**. You and any guarantor of this Agreement acknowledge and confirm that the length of the Term and geographical restrictions contained in Sections XI and XII are fair and reasonable and not the result of overreaching, duress or coercion of any kind. You acknowledge and confirm that your and their full, uninhibited and faithful observance of each of the covenants contained in Sections XI and XII will not cause any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in Sections XI and XII will not impair your or their ability to obtain employment commensurate with their respective abilities and on terms fully acceptable to you or them or otherwise to obtain income required for your or their comfortable support and, if such person is an individual, his or her family, and the satisfaction of the needs of his or her creditors.

D. **Enforcement**. You acknowledge that to disregard the provisions of Sections XI and XII would effectively foreclose us from selling other franchises and you could be unjustly enriched and unfairly derive benefit from our goodwill and/or the training you receive from us. Moreover, our franchisees and the Hotshots Sports Bar and Grill restaurants could be severely disadvantaged if you compete against them using the Marks, System or other Confidential Information and Trade Secrets. We intend to restrict your activities under Sections XI and XII of this Agreement only to the extent necessary for the protection of our, our Affiliates' and our franchisees' legitimate business interests. Each of the foregoing covenants will be construed as severable and independent and will be interpreted and applied consistent with the requirements of reasonableness and equity. In the event a court of competent jurisdiction determines the business, time or geographic limitations contained in this Agreement to be illegal, invalid or unenforceable, then, you agree that the court so holding will be permitted to reduce the limitation necessary to render such restriction enforceable by the court. We will have the right to reduce the scope of any covenant contained in Sections XI or XII without your consent, effective immediately upon receipt by you of our written notice; and you will comply with any reduced covenant. In addition to any other remedies available at law or equity, we will have the right to injunctive relief for your violation or threatened violation of any covenant described in Sections XI or XII. The terms of this non-compete are assignable by us and will inure to our benefit, as well as our successors and assigns. In the event of any assignment, sale, merger or change in our ownership or structure, the resulting entity will step into our place, without any additional consent of or notice to you, as if the term "us" or "our" was defined in this Agreement to include such entity.

XIII. <u>DEFAULT AND TERMINATION</u>

A. **<u>Termination By Us</u>**.

1. **<u>With 30 Days' Notice and 30 Days' Opportunity to Cure</u>**. We may at our option, and without prejudice to any other rights or remedies provided for in this Agreement or at law or in equity, terminate the term of this Agreement for "good cause". Without limitation as to other situations, "good cause" for termination exists if you or any guarantor of this Agreement:

(1) Do not substantially perform all the lawful terms, conditions, and obligations of this Agreement, or the mandatory obligations under the Confidential Operations Manual; or

(2) Lose possession of the premises at which the Grill is located and fail to secure a suitable site for relocation which we consent to within 3 months of so losing possession; or

(3) Default under the terms of the lease for the premises; or

(4) Misrepresent Gross Sales in any report submitted to us; or

(5) Lose any permit or license which is a prerequisite to the operation of the Grill for a period of at least 5 days; or

(6) Misuse the Marks or Confidential Information and Trade Secrets, or engage in conduct which, in our opinion, reflects unfavorably upon the operation, maintenance, goodwill and/or reputation of the System; or

(7) Are adjudged bankrupt, become insolvent, or make a general assignment for the benefit of creditors (subject to Section XIII.A.3.(d) below); or

(8) Are convicted of, plead guilty or no contest to, or commit or are alleged to have committed, any criminal misconduct which materially and adversely affects the operation, maintenance, reputation or goodwill of the Grill or the Hotshots Sports Bar and Grill franchise system (subject to paragraph XIII.A.3.(a) below); or

(9) Commit any other act which constitutes good cause under applicable state law or court decision; or

(10) Fail to keep the Grill open for a period of 3 consecutive days without justifiable cause; or

(11) Fail to pay any lawful debt or tax when due; or

(12) Surrender or transfer control of the Grill (including entering into a management arrangement with any person who does not meet our standards, including satisfactorily completing our initial training program), or make an unauthorized direct or indirect Transfer.

Subject to applicable law and except as otherwise provided in this Agreement, we will give you at least 30 days' prior written notice of default (except that, if state law permits, we will have the right to terminate earlier if the "good cause" constitutes a default that is not curable). The notice will state the reason(s) for default and will provide that you have 30 days from the date of the notice to correct any claimed deficiency. If the default is corrected within this period, the notice will be void. If the default is not corrected within this period, we have the right to terminate the term of this Agreement immediately upon written notice to you.

2. **With 30 Days' Notice and 10 Days' Opportunity to Cure**. We may also terminate the term of this Agreement for non-payment of sums due to us or our Affiliates or suppliers; your failure to open the Grill for business 12 months after our acceptance of this Agreement; or your failure to immediately correct and cure a threat or danger to the public health or safety resulting from the construction, operation or maintenance of the Grill. Subject to applicable law and except as otherwise provided in this Agreement, if termination is based on the foregoing, we will give you at least 30 days' prior written notice of default (except that, if state law requires a longer period, you will be granted the longer period, and except that if state law permits, we will have the right to terminate earlier if the claimed deficiency constitutes a default that is not curable). The notice will state the reason(s) for default and will provide you with at least 10 days from the date of the notice to correct any claimed deficiency. If the deficiency is corrected within this period of time, the notice will be void. If the deficiency is not corrected within this period of time, then we have the right to terminate the Term of this Agreement upon written notice to you, effective 30 days after the date we gave you notice of the default.

3. **Without Notice and Without Opportunity to Cure**. Notwithstanding anything contained herein to the contrary, if state law permits, we will be permitted to terminate the franchise immediately and without notice when the basis or grounds for termination is: (a) conviction of, or pleading guilty or no contest to, a felony or engaging in any other criminal misconduct that materially and adversely affects the operation, maintenance, reputation or goodwill of the Grill or the System; (b) fraudulent activity that materially and adversely affects the operation, maintenance, reputation or goodwill of the Grill or the System; (c) abandonment of the Grill; (d) your bankruptcy or insolvency or that of your guarantors; (e) the giving of more than 2 no account or insufficient funds checks to us or our Affiliates within a 12 month period, or our or our Affiliates receipt of any similar notice when utilizing any EFT payment; (f) the repeated failure or refusal to comply with the lawful provisions of this Agreement (i.e. 2 or more times in any 12 month period), whether or not the repeated failures or refusals are corrected after notice; (g) your making or having made any material misrepresentation or omission in the application for this franchise; or (h) any other act or omission that permits termination without notice and/or an opportunity to cure under applicable state law.

B. **Termination by You**. You must notify us in writing of any failure of us to perform any of our obligations pursuant to this Agreement. You may terminate the term of this Agreement only if we materially default in our performance of any terms and conditions in this Agreement, you give us written notice within 30 days of this material default and we fail to cure this material default within 60 days of our receipt of your written notice of default.

C. **Consequences of Termination**. Upon a Transfer, or the expiration or termination of the Term of this Agreement for any reason whatsoever, all your rights under this Agreement will terminate, and you will do each of the following:

1. You will cease to be our franchisee and cease to operate the Grill under the System and Marks. You will not thereafter directly or indirectly represent to the public that the business at the Location is or was operated or in any way connected with the System or hold yourself out as our present or former franchisee at or with respect to the Location.

2. You will immediately discontinue use of all Marks, signs, colors, structures, printed goods and forms of advertising indicative of our business, any Hotshots Sports Bar and Grill restaurant or the System, and return any Confidential Information and Trade Secrets or other copyrighted materials, including the Confidential Operation Manual, to us.

3. If we request, you will assign your telephone numbers, white and yellow page telephone references and advertising to us or any of our designees, including any other Hotshots Sports Bar and Grill restaurant.

4. You will pay all amounts due to us, our Affiliates and suppliers.

5. You will cancel any assumed name registration or equivalent registration which contains the Marks and you will furnish us with evidence satisfactory to us of your compliance with this obligation within 5 days of any Transfer, or the expiration or termination of the term of this Agreement.

6. Pursuant to the Collateral Assignment of Lease, upon our request you will assign to us any interest that you may have in any lease or sublease for the Site. We may exercise the option at or within 30 days after either (i) the termination or expiration of the term of this Agreement, or (ii) our receipt of notice by your landlord of its intent to terminate the lease or sublease for the Site. If we exercise this option, we will have the right, and are hereby empowered, to take possession of the Site demised by the lease or sublease and expel you from the Site, after which you will have no further right, title or interest in the lease or sublease. If we do not exercise our option to acquire the lease or sublease for the Site, you will make such modifications or alterations to the Site immediately upon the termination or expiration of the term of this Agreement, as we may deem necessary to distinguish the appearance of the Site from that of other Hotshots Sports Bar and Grill restaurants. In the event you fail or refuse to comply with the requirements of this Section XIII.C.6., we or our designees will have the right to enter upon the premises without being guilty of trespass or any other tort for the purposes of making or causing to be made the changes that may be required by this Section XIII.C.6. at your expense. You agree to pay us this expense upon demand.

7. You irrevocably appoint us or our nominee to be your attorney-in-fact, coupled with an interest and with power of substitution, to execute and to file for you any relevant document to transfer your telephone number or telephone listing. We have the right to file an original counterpart or a copy of this Agreement with the telephone company, landlord or any court, agency or person as written evidence of your appointment of us or our nominee to be your attorney-in-fact. A power of attorney is attached hereto as Exhibit V.

8. You will comply with all post-term covenant obligations including the trade secrets, Confidential Information and Trade Secrets, non-competition and indemnification provisions of this Agreement.

Neither the Transfer, nor the termination or expiration of the term of this Agreement will relieve you of any of your obligations to us or our Affiliates existing at the time of such Transfer, termination or expiration, or terminate your obligations that, by their nature, survive the Transfer, or the termination or expiration of the term of this Agreement. Furthermore, the Transfer, or the termination or expiration of the term of this Agreement will be without prejudice to our rights against you; and in the event of a termination which is the result of your breach or default under this Agreement, we will, in addition to our rights set forth above, also be entitled to all rights and remedies available at law or in equity.

D. **Our Right to Purchase Personal Property**. After the termination or expiration of the term of this Agreement, but not upon an approved Transfer pursuant to Section XVI.B, we will have the right, but not the obligation, to purchase any or all of your equipment, inventory, supplies and other personal property used in connection with the operation of the Grill. The purchase price for such property will be the book value less any liens. We will have 30 days after the determination of such value, to exercise our rights granted by this Section XIII.D., and we will have an additional 30 days to pay for the property we desire to purchase. If we fail to exercise our rights within the time periods set forth above, you will be free to otherwise sell or dispose of the personal property used in connection with the operation of the Grill.

E. **Our Operation of the Grill**. In order to prevent any interruption of the franchise business, which you agree would cause harm to the Grill and the System, if you are unable to operate the business for any reason whatsoever, you authorize us and our agents and Affiliates to operate the Grill for so long as we deem necessary and practical. All income from the operation of the business will be kept in a separate account, and the expenses of the business, including reasonable compensation and expenses of us and our agents, will be charged to this separate account. Nothing in this Section XIII.E. is intended to require us to operate the business in the event of your inability, and the rights described in this Section XIII.E. may be exercised or not exercised in our sole and absolute discretion.

XIV. SOURCES OF PRODUCTS

A. **Required Purchases from Us or Our Affiliates**. So long as this Agreement is in effect, you agree to purchase from us or our Affiliates certain branded products, such as apparel, gift cards and jackets, loyalty cards, menus, certain décor and glassware, as well as certain food products (as modified from time to time in the Confidential Operations Manual or otherwise by us), which are required for the operation of the Grill. You acknowledge that your agreement to comply with the foregoing is a material condition upon which this franchise is granted. Further, you acknowledge that the use of these proprietary products that you must purchase from Affiliates or us is an integral part of operating the Grill. If our Affiliates or we are unable to offer any of these proprietary products, we may designate an approved supplier or suppliers for these products.

1. **Availability**. Contingent upon the availability of products, we or our Affiliates will use our commercially reasonable efforts to supply such products to you within a reasonable time after the receipt of your orders therefore; provided that neither we nor our Affiliates warrant that: (i) it will be able to obtain all such products, or (ii) that the products will be obtained by the dates requested.

2. **Pricing**. We or our Affiliates shall establish and have exclusive control over the prices, discounts, specifications, and all other terms and conditions governing the sale of products to you. Pricing of products is subject to change at any time or from time to time in our or our Affiliates' sole discretion, effective upon 30 days prior notice to you. Generally, prices will change when the manufacturer's prices to us or our Affiliates change.

3. **Terms of Purchase**. All purchases of product, supplies and equipment from us or our Affiliates shall be personally guaranteed by the individuals who are required to guarantee this Agreement. The terms of payment shall be established by our Affiliates or us from time to time.

B. **Purchasers from Approved Suppliers**.

1. You must purchase products, services, supplies, equipment and materials for the operation of the Grill that meet our specifications. Other than required purchases from us or our Affiliates, you are required to purchase these items only from manufacturers, suppliers or distributors designated by us, or from other suppliers we approve who meet our specifications. Specification of a supplier may be conditioned on requirements relating to frequency of delivery, standards of services, including prompt attention to complaints, as well as payments, contributions, or other consideration to us, our Affiliates or the Advertising Fund, and may be temporary, in each case in our reasonable discretion. We may, from time-to-time withhold, condition and/or revoke our approval of particular items or suppliers in our reasonable discretion. We or our Affiliates may receive rebates, commissions, and other benefits from suppliers in relation to items purchased by you and other franchisees. We have the right to condition or revoke your right to participate in any supplier programs if you are in default under this Agreement.

2. You may propose alternative products, services, supplies, equipment and materials for the operation of your Grill, as well as alternative manufacturers, suppliers or distributors of products used in

the operation of the Grill. However, we may require that samples of or from these proposed alternatives be delivered to us for testing prior to approval and use. We may also require you to pay a reasonable fee based on the cost of the test made by us or by an independent testing laboratory designated by us. Further, all proposed manufacturers, suppliers or distributors must agree to permit our agents or representatives to inspect their facilities regularly, both initially and from time to time as may reasonably be required by us to assure us of the proper production, processing, packaging, storing and transportation of the products, services, supplies or equipment and materials to be purchased by you. We will advise you within 30 days of our approval or disapproval of any proposed alternate sources of products, services, supplies, suppliers, materials and equipment. The foregoing will not be construed as an attempt to unreasonably limit the sources from which you may procure its products, services, supplies and materials. Rather, it is our intention that such items conform to our strict standards and strict specifications as to consistent quality, uniformity and reliability. Further, we will not be required to approve an inordinate number of alternative suppliers of a given item which in our reasonable judgment would prevent our effective supervision of suppliers. We may require your supplier to sign a confidentiality agreement.

XV. CONFIDENTIAL OPERATIONS MANUAL AND CHANGES

We will loan you for the duration of this Agreement and any renewal 1 copy of our Confidential Operations Manual ("Manual") in the format determined by us (i.e., in writing, on CD-ROM, via electronic media through a secure website, etc.), and all supplemental bulletins, notices, revisions, modifications or supplemental information, either in document or electronic form, concerning the System are considered part of the Manual. The Manual may cover such items as recipes, food preparation techniques, approved suppliers, general business methods, merchandising, financial reporting requirements, confidentiality agreements, plans and specification requirements, and other proprietary aspects of the System. Also included are any passwords or other digital identification necessary to access the Manual on a website or extranet. You agree to comply with the mandatory requirements in the Manual and acknowledge your compliance is an essential part of your obligations under this Agreement. You will at all times be responsible for ensuring that your employees and all other persons under your control comply with the mandatory provisions of the Manual in all respects. The Manual constitutes a confidential trade secret of ours and will remain our property. The Manual cannot be photocopied, reproduced, or disseminated without our written consent. We may modify the Manual from time to time in our discretion, and you agree that from time to time we may reasonably change the System. You expressly agree to comply with each modification, addition or deletion of the System or Manual at your sole cost and expense. You acknowledge that due to the changing nature of the restaurant business, as well as changing attitudes of customers and other factors, changes to the System or the Manual may be necessary and may involve your expenditure of substantial sums of money.

We agree to impose any of these changes in a reasonable, non-discriminatory manner among other franchisees. However, because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, in our sole discretion and as we may deem to be in the best interests of the System in any specific instance, to vary standards for any particular franchisee based upon the peculiarities of a particular territory, density of population, business potential, business practice or other condition important to the successful operation of a particular Hotshots Sports Bar and Grill restaurant. We may grant variations from standard specifications and practices as we determine in our discretion, and we will have no obligation to grant you or any other franchisee like or similar variations, and our failure to require a change from any particular franchisee will not affect your obligations under this Section XV.

You will at all times ensure that your copy of the Manual is kept current and up to date. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by us will be controlling.

XVI. <u>TRANSFERABILITY OF INTEREST</u>

A. **By Us**. We are free to assign all our rights and obligations under this Agreement, and upon such assignment we will be relieved of all liability under this Agreement, and all rights and obligations will accrue to our successor or assignee.

B. **By You**. The rights and duties created by this Agreement are personal to you. We have granted this franchise in reliance upon our perception of the individual and collective character, skill, attitude, and business and marketing abilities of you and your owners. Therefore, there can be no Transfer without our prior written consent. Any consent by us will not operate as a consent to any future such Transfer, and no future such Transfer will be valid without our prior written consent to that specific Transfer. Any attempted Transfer in violation of this Section XVI.B. is voidable at our option. If we elect not to exercise our right of first refusal pursuant to Section XVI.D. below, we will not unreasonably withhold our consent to such a Transfer, provided that the following conditions are satisfied:

1. **Governmental Compliance**. The Transfer is conducted in compliance with applicable laws and regulations;

2. **Prior Compliance**. You have performed your obligations and duties under this Agreement and you are not in default under this Agreement, or any other agreement with us or our Affiliates;

3. **Payments**. You have paid all amounts owed to us and our Affiliates, and all other outstanding obligations relating to the Grill are fully paid and satisfied.

4. **Release**. To the extent permitted by law, you, including all officers, directors and owners (as well as all guarantors under this Agreement) must execute a general release, in the form we approve, of any and all claims against us, our Affiliates, and our and their respective officers, directors, employees and agents.

5. **Requirements of Transferee**. The transferee meets our established standards for new franchisees, is of good moral character, has a good credit rating, sufficient financial resources to operate the business and competent qualifications. The transferee must execute the most current franchise agreement for the state in which the Grill is located, which may include terms and conditions that are different from the terms and conditions in this Agreement. In addition, the transferee's owners (actual and beneficial) and their spouses must sign the Guaranty and Assumption of Obligations attached to that franchise agreement. Neither the transferee nor any of its owners or affiliates operates, has an ownership interest in or performs services for a Competitive Business.

6. **Transfer Fee**. We are paid a transfer fee of no more than 50% of the then-current Initial Franchise Fee. The transfer fee is paid in lieu of the Initial Franchise Fee required in the franchise agreement that will be signed by the transferee.

7. **Assumption of Liabilities**. The transferee agrees to assume all liabilities and obligations from you and your operation of the Grill, including the lease, and must comply with other reasonable requirements we may impose.

8. **Completion of Training**. The transferee and/or transferee's management team, including a Principal Owner and designated manager, must successfully complete the initial training program.

9. **Update and Remodel Grill**. The transferee updates and remodels the Grill to comply with our then current standards for new Hotshots Sports Bar and Grill restaurants.

10. **Continuing Liability**. If we approve an assignment of this Agreement, we will have the discretion to require you and the guarantors to remain liable for the full and faithful performance of the obligations of the assignee.

11. **Economically Reasonable Terms**. Although we will not be required to determine the value of business upon a Transfer, if in our reasonable judgment, the purchase price or other terms of sale are not economically feasible to the proposed transferee, we can withhold our consent to such Transfer. Our consent is not, however, to be construed as an implication or warranty that the terms of the sale are in fact economically feasible. We may, in good faith, notify you and the proposed transferee, stating the reasons that we have elected to withhold our approval of the proposed Transfer.

C. **Your Death or Incapacity**. You, by will or other written instrument, may appoint a designated heir to continue operation of the Grill upon your death. The designated heir must meet the qualifications of Section XVI.B., including the requirement to meet our standards for new franchisees, execute the then-current form of franchise agreement used in the state in which the Grill is located and the designated manager or new Principal Owner has, or within 30 days will have, satisfactorily completed the initial training program; provided that no transfer fee will be charged on a Transfer pursuant to this Section XVI.C. But the Transfer to a designated heir, personal representative or conservator, as applicable, in the event of your death or legal incapacity, will not give rise to our right of first refusal as described in Section XVI.D. below.

D. **Right of First Refusal**. Notwithstanding the foregoing sections (other than Section XVI.C)., if you receive a bona fide, executed, written offer to acquire an interest in this Agreement, you or the Grill from a responsible, fully disclosed third party purchaser, you must submit a copy of the offer to us. You must also provide us with any other information we request to evaluate the offer. We have the right, exercisable by delivering written notice to you within 30 days from the date of last delivery by you of the offer and any other documents we request, to acquire such interest for the price and on the terms and conditions contained in the offer, except that regardless of the terms of the offer we may substitute cash for any form of payment proposed in the offer; require you to include customary warranties and representations in the purchase agreement; and structure the transaction as an "asset purchase," rather than a "stock purchase." We will not be obligated to pay any "finder's" or broker's fees that are a part of the proposed sale and will not be obligated to comply with any part of the offer which directly or indirectly requires payment of any consideration other than a bona fide purchase price for the interest proposed to be transferred (for example, we will not be obligated to pay any earn out or other share of the profits from our operation of the Grill after the Transfer is completed). If we decline to exercise our right of first refusal, you will have 90 days after the earlier of our decline to exercise the right or the expiration of the right, to sell such interest to the bona fide third-party purchaser identified in, and upon the terms and conditions described in, the offer notice submitted to us, subject to compliance with Section XVI.B. In the event you fail to complete the sale of such interest to this third party on these terms within this 90-day period, you must again comply with this XVI.D. and give us the first right to acquire such interest prior to any sale. Our election to not exercise our right of first refusal as to any particular offer will not affect our right of first refusal as to any subsequent offer.

XVII. INDEPENDENT CONTRACTOR/INDEMNIFICATION

A. **Independent Contractor**. We and you are independent contractors, and no partnership, fiduciary, joint venture, or employment relationship exists between you and us. You will conspicuously identify yourself at the premises of the Grill and in all dealings with the public as an independently owned business. Neither we nor you will make any agreements or representations in the name of or on behalf of the other that their relationship is other than franchisor and franchisee.

B. **Indemnification**. Under no circumstances will we be liable for any act, omission, debt, or other obligation of yours. To the fullest extent permitted by law, you (for yourself and your employees, agents, subcontractors, successors and assigns) agree, at your sole cost and expense, to indemnify, defend and hold harmless, and to reimburse on demand us, and all entities related to us and our and their respective directors, officers, members, employees agents, managers, partners, attorneys, licensees, affiliates successors and assigns ("Indemnified Parties) for and against any and all damages, losses, liabilities, bodily injury, property damage, obligations, penalties, fines, claims, litigation, demands, defenses, judgments, suit proceedings, administrative orders, consent agreements, costs, disbursements or expenses of any kind or any nature whatsoever, including without limitation, reasonable attorneys' and expert fees and disbursements arising out of or related to or in any way arising out of the acts or omissions of yours or your employees, agents, officers, directors, parents, subsidiaries, affiliates, successors and assigns ("Indemnitors") arising out of or related to (i) any act or omission, negligent or otherwise, of the Indemnitors or anyone directly or indirectly employed by them or anyone whose acts they may be liable relative to the Grill; (ii) any breach by the Indemnitors of any term or provision of this Agreement; and (iii) the cost, including, but not limited to reasonable attorney's fees, of enforcing this indemnification provision. The obligations of Indemnitors are joint and several.

This indemnification must not be construed to indemnify an Indemnified Party to the extent such indemnification is prohibited by law, including, an indemnification of any Indemnified Party from its own negligence, if prohibited by law. To the extent indemnification of any party hereunder would be prohibited by law, this provision will not apply to such party, but will continue to be effective as to all other parties with respect to whom indemnification is not prohibited by applicable law.

XVIII. DISPUTE RESOLUTION

A. **Mediation**.

1. Before any party may bring an action in court for any controversy, dispute or claim between you and us arising from this Agreement or the franchise relationship set forth in this Agreement, the parties must first have a conference with each other to try to resolve the dispute. If this fails to bring about a resolution, the dispute will first be submitted to non-binding mediation (the "Mediation") in St. Louis, Missouri, unless the parties mutually agree to another location. The Mediation shall be conducted in accordance with then-current AAA mediation rules (the "AAA Mediation Rules") except to the extent the AAA Mediation Rules differ from the terms of this Agreement, in which event the terms of this Agreement shall be applied. Notwithstanding the foregoing, the mediation does not have to be conducted under the AAA. You and we will select the mediator. If the parties cannot agree on the selection of a mediator, the mediation shall be conducted through the AAA who will make the selection of mediator using their rules and guidelines. The cost of the Mediation, including the mediator's fee and expenses, shall be paid by you. All negotiations and mediation proceedings (including without limitation, discovery conducted therein, as well as all statements and settlement offers made by either party or the mediator in connection with the Mediation) shall be strictly confidential, shall be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and shall not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose. If the parties, after a good faith effort to settle the dispute using Mediation, are unable to reach settlement, you and we agree that the dispute will be resolved according to the Sections below. Failure to submit the dispute to Mediation prior to commencing any litigation or arbitration proceeding shall be grounds for dismissal of the litigation or arbitration proceedings.

2. Notwithstanding the foregoing, the obligation of this Section XVIII.A.1 to mediate will not be binding with respect to claims brought by us relating to our trademarks, service marks, patents, or copyrights, including the Marks; claims relating to any lease or sublease of any real property between the

parties or their affiliated entities; or requests by either party for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable injury pending resolution of the actual dispute between the parties, which may be brought by us in accordance with Section XVIII.B.

B. **Litigation**.

1. Except as otherwise provided in this Agreement, all controversies, disputes or claims between you and us arising from this Agreement or the franchise relationship set forth in this Agreement shall be filed in the Federal District Court for Eastern District of Missouri when the grounds set forth in 28 U.S.C.§ 1332 are present. Both parties and each guarantor of this Agreement irrevocably submit to the jurisdiction of this court and waive any objection to the application of Missouri law or to the jurisdiction or venue in this court. If the above-referenced federal court does not have jurisdiction over the dispute, the parties shall submit to binding arbitration as provided below.

2. Notwithstanding the foregoing, any claims we have relating to our trademarks, service marks, patents, or copyrights, including the Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by us for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable injury pending resolution of the actual dispute between the parties may also be brought by us in state courts in St. Louis County, Missouri. You agree to submit to the jurisdiction of the state courts in St. Louis County, Missouri.

C. **Arbitration**.

1. If the federal court described above does not have subject matter jurisdiction over the dispute, the parties, subject to all other provisions above, will submit the dispute to binding arbitration conducted in St. Louis, Missouri (unless the parties mutually agree otherwise). The arbitration proceeding will be conducted in accordance with the then current commercial arbitration rules of the American Arbitration Association ("AAA Rules"), except to the extent the AAA Rules differ from the terms of this Agreement, in which event the terms of this Agreement will apply. Notwithstanding the foregoing, the arbitration does not have to be conducted under the AAA. The arbitrator must be mutually selected by the parties and must have at least 5 years of substantial experience in franchise law. Each party will be limited to 25 document requests, 15 interrogatories and 1 deposition unless otherwise agreed to between the parties. For purposes of this Section, if any dispute that names, involves or includes us, our respective affiliates, officers, directors, agents, brokers or employees, such persons or entities shall also be included in and made party to the arbitration proceeding to the extent such parties consent to proceeding forward in arbitration.

2. The arbitrator will have the right to award or include in his award any relief which he deems proper in the circumstances, including money damages (with interest on unpaid amounts from date due), specific performance, and attorneys' fees and costs; however, the arbitrator will not be allowed to award or include in his award any punitive, exemplary, or consequential damages, to which the parties waive any right. The arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability or enforceability of this Section, including but not limited to any claim that all or any part of this Section is void or voidable. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; or (2) make any award which extends, modified or suspends any lawful term of this Agreement. Each party waives any right to contest the validity or enforceability of the award of an arbitrator under this Section except to the extent permitted

by applicable law. The arbitrator must submit a reasoned award and this award must be consistent with the terms of this Agreement. If the arbitrator's award is not reasoned or not consistent with the terms of this Agreement, then notwithstanding the foregoing, we may appeal the arbitration award in Federal or State Court. An arbitration award or decision entered in any other case (whether or not we were a party) will not be binding on us in any other dispute, will have no precedential value and cannot be used as evidence in any other proceeding.

3. The arbitrator will apply the provisions of any applicable statute of limitations. In connection with any arbitration proceeding, you and we will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any of these compulsory claims which are not submitted or filed in the same proceeding in which they relate will be barred. This provision will continue in full force and effect subsequent to and notwithstanding the transfer of this Agreement, or the termination or expiration of the term of this Agreement. Except as provided in Section XVIII.C.1 above, the arbitration will be conducted on an individual, not a class-wide basis. None of the parties to the arbitration will be entitled to consolidation of the arbitration proceedings with the proceedings of any third party, nor will the arbitrator or any court be empowered to order a consolidation of proceedings with any third party.

4. Notwithstanding the foregoing, the obligation of this Section XVIII.C to arbitrate will not be binding with respect to claims brought by us relating to our trademarks, service marks, patents, or copyrights, including the Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by either party for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable injury pending resolution by arbitration of the actual dispute between the parties, which may be brought by us in accordance with Section XVIII.B.

D. **Dispute Resolution Fee**. If you or your guarantors have not complied with the provisions in this Section XVIII, you shall reimburse us for all our expenses incurred in curing your breach (including, without limitation, our attorneys' fees and costs related to dismissing and responding to any improperly filed claim) and pay us a Dispute Resolution Fee of $50,000 ("Dispute Resolution Fee"). You acknowledge and agree that we will be damaged by such breach. You agree that a precise calculation of the full extent of the damages that we will incur from the breach of the Dispute Resolution provisions of this Agreement are difficult to determine and all parties desire certainty in this matter and agree that the Dispute Resolution Fee provided herein is reasonable and constitute liquidated damages and not a penalty. We have the right to collect these amounts in addition to exercising any and all other rights we may have for non-compliance under this Agreement.

XIX. MISCELLANEOUS PROVISIONS

A. **Waiver**. Neither our waiver of a breach or default by you, our delay or failure to exercise any right upon your breach or default nor our acceptance of any payment from you, will be deemed a waiver, nor will it impair our rights for other breaches or defaults of the same or a different kind. The description of any breach or default in any notice will not prevent our assertion of other defaults or breaches. We may waive any one or more of the requirements imposed under this Agreement for the benefit of any particular franchisee or any particular Hotshots Sports Bar and Grill restaurant, but the waiver in favor of any other franchisee or Hotshots Sports Bar and Grill restaurant will not prevent us from enforcing the requirements against you, all other franchisees and all other Hotshots Sports Bar and Grill restaurants.

B. **Severability**. If any provision of this Agreement is considered to be invalid or inoperative for any reason, that part will be deemed modified to the extent necessary to make it valid and operative, or if it cannot be modified, then severed, and the remainder of this Agreement will continue in effect as if the Agreement had been signed with the invalid portion modified or eliminated.

C. **Entire Agreement**. You and we each acknowledge and warrant to each other that you and we each wish to have all terms of our business relationship defined in this Agreement. Neither you nor we wish to enter a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, you and we agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between us or anyone acting on our behalf and you or anyone acting on your behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and you and we each agree that we each have placed, and will place, no reliance on any such discussion; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the franchise disclosure document furnished to you. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise rights or offer of franchise rights have been promised to you and no such franchise rights or offer of franchise rights shall come into existence, except by means of a separate writing, executed by one of our officers or such other entity granting the franchise rights and specifically identified as a modification of this Agreement. No amendment to this Agreement is binding unless executed in writing by both parties.

D. **Notice**. All notices required under this Agreement will be in writing and will be given: (i) if hand delivered on the day of deliver; (ii) 3 business days after placement in the United States Mail by registered or certified mail, postage prepaid; or (iii) the day after placement with a courier guaranteeing overnight delivery, in each case addressed to the address listed on the signature page of this Agreement or at such other address as either party will specify in a notice to the other party.

E. **Construction of Language**. The language of this Agreement will be construed according to its fair meaning and not strictly for or against either party. All words used in this Agreement refer to whatever number or gender the context requires.

F. **Governing Law and Jurisdiction**. You acknowledge that this Agreement was accepted in the State of Missouri. You acknowledge that you have and will continue to develop a substantial and continuing relationship with us at our principal offices in Missouri, where our decision-making authority is vested and franchise operations are conducted and supervised. Except to the extent that this Agreement or any dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 115 U.S.C. 1051), this Agreement will be governed, to the extent permissible, by the laws of the State of Missouri without regard to principles of conflicts of law. If, however, any provision of this Agreement would not be enforceable under the laws of Missouri, and if the Grill is located outside of Missouri and the provision would be enforceable under the laws of the state in which the Grill is located, then the provision in questions (and only that provision) will be interpreted and construed under the laws of the state where the Grill is located. Matters controlled by arbitration will be governed by the United States Arbitration Act (9 U.S.C. §1, et. seq.). If a state regulator requires an amendment to this Agreement, the amendment is attached to this Agreement. We will not, however, be precluded from contesting the validity, enforceability, or applicability or such regulator's required amendment in any action relating to this Agreement or to its rescission or termination.

G. **Effect**. This Agreement will be binding upon and inure to the benefit of the parties, their legal representatives, heirs, administrators, executors, and permitted successors and assigns.

H. **Remedies**. In addition to any other remedies in law or in equity to which it may be entitled, we will be entitled, without bond, to entry of injunctive relief and orders of specific performance enforcing the provisions of this Agreement in the event you actually or anticipatorily breach this Agreement. If we incur attorneys' fees or other expenses in seeking enforcement of this Agreement or defending any claim you bring against us, including without limitation, a claim related to the offering of a franchise or the franchise relationship, you will be required to reimburse us for our reasonable costs and expenses (including attorneys' fees). No right or remedy conferred upon us is intended to be exclusive, and every right or remedy granted in this Agreement will be cumulative and in addition to any other rights or remedies available under this Agreement, or otherwise. For purposes of this Agreement, a termination will include a termination for any reason, expiration, cancellation, failure to renew, assignment or Transfer.

I. **No Warranty**. You acknowledge that no approvals, consents, waivers, conditions, or the like warrant your success of operating the Grill or the appropriateness of the particular items or matters so approved.

J. **Receipt of the FDD**. You acknowledge receipt of our franchise disclosure document ("FDD") along with this Agreement, at least 14 days before your execution of this Agreement or any payment by you to us. If any unilateral modifications have been made to this Agreement you acknowledge that you have had at least 7 days to review them.

K. **Joint and Several Liability**. If you are comprised of 2 or more persons, the obligations and liabilities to us of each of these persons will be joint and several.

L. **Time is of the Essence**. Time is of the essence of this Agreement.

M. **Survival**. Your obligations regarding Confidential Information and Trade Secrets, non-competition, indemnification, your accrued obligations to us (monetary or otherwise) and any other terms or conditions which by their nature will survive the Transfer or the termination or expiration of the term of this Agreement.

N. **Attorneys' Fees**. In the event of any court or arbitration proceeding, the non-prevailing party will reimburse the prevailing party for all the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees which are incurred before, at trail and at all appellate levels, even if not taxable as court costs, in addition to any other relief to which such party or parties may be entitled.

O. **Payments from You**. We have the sole discretion to apply any payments by you to any of your past due indebtedness for Royalty Fees, Advertising Fees, expenses, purchases from us or our Affiliates, interest or any other indebtedness you may owe us or our Affiliates. Neither we nor any of our Affiliates are required to accept payments after they have become due or to extend credit or otherwise to finance your operation of the Grill. If you are in default under this Agreement or if you have failed to pay all amounts due us or our Affiliates when due, we and our Affiliates may require you to pay for all purchases on a C.O.D. basis by cashier's check, or may refuse to make further sales to you.

P. **Limitation of Legal Actions**.

1. YOU (AND YOUR GUARANTORS AND OWNERS) WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR PROSPECTIVE PROFITS OR SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES FOR ANY CONDUCT ARISING OUT OF THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU.

2. THE PARTIES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THEM RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP OF THE PARTIES.

3. ANY DISAGREEMENT BETWEEN YOU (AND YOUR GUARANTORS AND OWNERS) AND US (AND OUR AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND MUST NOT BE BROUGHT AS A CLASS ACTION AND YOU (AND YOUR GUARANTORS AND OWNERS) WAIVE ANY RIGHT TO PROCEED AGAINST US (AND OUR AFFILIATES, OWNERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

4. YOU WILL BE BARRED FROM BRINGING ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU, UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH YOU KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THAT CLAIM.

5. OUR MAXIMUM AGGREGATE LIABILITY AND THE MAXIMUM AGGREGATE LIABILITY OF ANY OF OUR OFFICERS, OWNERS, DIRECTORS, MEMBERS, MANAGERS, EMPLOYEES, AFFILIATES, PARENTS OR SUBSIDIARIES RELATED TO ANY AND ALL CLAIMS RELATING TO OR ARISING FROM THIS AGREEMENT OR THE FRANCHISE RELATIONSHIP SET FORTH IN THIS AGREEMENT SHALL BE COLLECTIVELY LIMITED TO THE AMOUNT YOU PAID US WITHIN THE PRIOR 12 MONTHS IMMEDIATELY BEFORE WRITTEN NOTICE OF ANY PROPER CLAIM IS RECEIVED BY US.

Q. **Limitation on Liens**. You will not grant a security interest, pledge, or place a lien upon your interest in this Agreement or in the Grill or in the furniture, fixtures, or equipment used in the business, except that you will be permitted to grant a security interest in such furniture, fixtures, and equipment to secure your obligation to the seller of, or lender of funds used for the purchase of, such furniture, fixtures, and equipment.

R. **Day-to-Day Control**. You have the sole right and responsibility for the manner and means by which the day-to-day operation of your Grill is determined and conducted and for achieving your business objectives. You will hire all employees of the Grill, and be exclusively responsible for the terms of their employment, scheduling, benefits, disciplining, compensation, daily maintenance, safety concerns and all other personnel and employment-related decisions. 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 us. You acknowledge and agree that any training we provide for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Grill and in no fashion reflects any employment relationship between us and such employees. If it is ever asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, appearing at any venue requested by us to testify on our behalf; participating in depositions or other appearances; or preparing affidavits rejecting any assertion that we are the employer, joint employer or co-employer of any of your employees. 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.

S. **Third Party Beneficiary**. Licensing is a third-party beneficiary to this Agreement and has the right to assume any of our responsibilities, duties or functions if the agreement between Licensing and us expires or is terminated for any reason. Furthermore, Licensing will have the right, but not the obligation, to enforce your compliance with any provision of this Agreement.

T. **Right to Subcontract**. We will have the right to subcontract the performance of any of our obligations pursuant to this Agreement to any of our Affiliates or any other third-party designee.

U. **Execution and Electronic Signatures**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement. The counterparts of this Agreement and all related documents may be executed and delivered by facsimile or other electronic signature method by any of the parties to any other party and each will be deemed original signatures. Electronic copies of this document shall constitute and be deemed an original copy of this document for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this document. The receiving party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the original had been received.

XX. YOUR WARRANTIES AND REPRESENTATIONS

A. **WE HAVE NOT AND DO NOT REPRESENT THAT YOU CAN EXPECT TO ATTAIN A SPECIFIC LEVEL OF SALES, PROFITS, OR EARNINGS. YOU AND YOUR GUARANTORS HAVE BEEN ADVISED TO OBTAIN INDEPENDENT PROFESSIONAL AND LEGAL ADVICE REGARDING THIS FRANCHISE. YOU AND YOUR GUARANTORS ACKNOWLEDGE THAT YOU AND THEY ARE ENTERING INTO THIS AGREEMENT, AND ALL ANCILLARY AGREEMENTS EXECUTED CONTEMPORANEOUSLY WITH THIS AGREEMENT, AS A RESULT OF YOUR AND THEIR OWN INDEPENDENT INVESTIGATION OF THIS FRANCHISE AND NOT ACT IN RELIANCE ON OR AS A RESULT OF ANY REPRESENTATIONS MADE BY OUR OWNERS, OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES, AGENTS, REPRESENTATIVES, ATTORNEYS, FRANCHISEES, BROKERS OR OTHER FRANCHISE SELLERS THAT ARE NOT CONTAINED IN OR ARE CONTRARY TO THE TERMS SET FORTH IN THIS AGREEMENT OR ANY REPRESENTATION IN THE FDD. YOU AND YOUR GUARANTORS UNDERSTAND THAT YOU AND THEY MAY SUSTAIN LOSSES AS A RESULT OF THE OPERATION OR THE CLOSING OF THE GRILL. YOU AND YOUR GUARANTORS UNDERSTAND THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES A HIGH DEGREE OF FINANCIAL RISK AND DEPENDS TO A LARGE DEGREE ON YOUR SKILLS, ABILITIES, INITIATIVE, AND HARD WORK.**

B. **YOU REPRESENT TO US THAT YOUR SIGNATURE ON AND PERFORMANCE OF THIS AGREEMENT DOES NOT VIOLATE OR CONSTITUTE A BREACH OF THE TERMS OF ANY OTHER AGREEMENT OR COMMITMENT TO WHICH YOU, YOUR GUARANTORS OR ANY OF YOUR AFFILIATES ARE A PARTY.**

C. **UNDER APPLICABLE U.S. LAW, INCLUDING WITHOUT LIMITATION EXECUTIVE ORDER 13224, SIGNED ON SEPTEMBER 23, 2001 (THE "ORDER"), WE ARE PROHIBITED FROM ENGAGING IN ANY TRANSACTION WITH ANY PERSON ENGAGE IN, OR WITH A PERSON AIDING ANY PERSON ENGAGED IN ACTS OF TERRORISM AS DEFINED IN THE ORDER. ACCORDINGLY, YOU DO NOT, AND HEREAFTER WILL NOT ENGAGE IN ANY TERRORIST ACTIVITY. IN ADDITION, YOU ARE NOT AFFILIATED WITH AND DO NOT SUPPORT ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY. FINALLY, YOU ARE NOT ACQUIRING THE RIGHTS GRANTED UNDER THIS AGREEMENT WITH THE INTENT TO GENERATE FUNDS TO CHANNEL TO ANY INDIVIDUAL OR ENTITY ENGAGED IN,**

CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY, OR TO OTHERWISE SUPPORT OR FURTHER ANY TERRORIST ACTIVITY.

D. **YOU REPRESENT TO US THAT ALL INFORMATION SET FORTH IN ALL APPLICATIONS, FINANCIAL STATEMENTS AND SUBMISSIONS TO US ARE AND WILL BE TRUE, COMPLETE AND ACCURATE IN ALL RESPECTS, AND YOU ACKNOWLEDGE THAT WE ARE RELYING UPON THE TRUTHFULNESS, COMPLETENESS AND ACCURACY OF SUCH INFORMATION IN BOTH AWARDING AND CONTINUING THE LICENSE GRANTED TO YOU BY THIS AGREEMENT.**

XXI. CAVEAT

THE SUCCESS OF THE GRILL IS SPECULATIVE AND DEPENDS, TO A LARGE EXTENT, UPON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON, AS WELL AS OTHER FACTORS. WE DO NOT MAKE ANY REPRESENTATION OR WARRANTY AS TO THE POTENTIAL SUCCESS OF THE GRILL AND NO ONE IS AUTHORIZED TO MAKE ANY SUCH REPRESENTATION OR WARRANTY ON OUR BEHALF. YOU FURTHER ACKNOWLEDGE THAT YOU HAVE READ AND COMPLETED THE QUESTIONNAIRE, A COPY OF WHICH IS ATTACHED TO THIS AGREEMENT AS EXHIBIT VII.

YOU UNDERSTAND AND AGREE THAT WE HAVE NO OBLIGATION TO ACCEPT YOUR APPLICATION AND MAY REFUSE TO GRANT YOU A FRANCHISE FOR ANY REASON, OR NO REASON, WITHOUT DISCLOSING THE BASIS FOR OUR DECISION. YOU ACKNOWLEDGE THAT UNLESS AND UNTIL WE SIGN THIS AGREEMENT, THE FRANCHISE HAS NOT BEEN GRANTED, YOU ARE NOT A FRANCHISEE OF OURS AND YOU MAY NOT RELY UPON BECOMING A FRANCHISEE OF OURS.

XXII. NON-LIABILITY OF OUR AFFILIATES

We are the only company obligated to you under this Agreement. You may not look to any Affiliate or related companies, other business entities or any individuals for performance of this Agreement.

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date fist above written.

HSF FRANCHISING, LLC	**FRANCHISEE:** ________________________
By: ______________________________ Matthew S. Volmert, Chief Executive Officer	By: ________________________________ Name: ______________________________ Title: _______________________________
Address: 512 Pearce Blvd. Wentzville, Missouri 63685	Address: ____________________________ ____________________________

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "Agreement"), by HSF Franchising, LLC ("HSF") in favor of ______________________________ ("FRANCHISEE"), each of the undersigned ("GUARANTORS") hereby personally and unconditionally guarantees to HSF, its Affiliates (as hereinafter defined), and their successors and assigns for the term of the Agreement and thereafter as provided in the Agreement, that FRANCHISEE will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and agrees to be personally bound by, and personally liable for the breach of each and every provision in the Agreement. The GUARANTORS each agree to be personally and unconditionally bound by each and every undertaking, agreement and covenant set forth in the Agreement, including, the restrictive covenants and non-disclosure provisions contained in the Agreement, as well as the provisions in the Agreement relating to the Marks and Transfers to the same extent as and for the same period of time as FRANCHISEE is required to comply with and abide by such covenants and provisions. All of the foregoing obligations of the undersigned will survive any expiration or termination of the term of the Agreement or this Guaranty and Assumption of Obligations. The GUARANTORS further hereby personally and unconditionally guarantee all debts and obligations FRANCHISEE incurs to HSF, its successors, assigns, affiliated entities, parent corporation, and subsidiaries ("Affiliates"), as the case may be, as a result of any obligations under the Agreement and as a result of purchases of products or services from HSF and its Affiliates. Each of the undersigned waives:

(1) acceptance and notice of acceptance by HSF or Affiliates of the foregoing undertakings; and

(2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and

(3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and

(4) any right he may have to require that an action be brought against FRANCHISEE or any other person as a condition of liability; and

(5) all rights to payments and claims for reimbursement or subrogation which any of the GUARANTORS may have against the FRANCHISEE arising as a result of the GUARANTORS' execution of and performance under this guaranty; and

(6) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that:

(1) his or her direct and immediate liability under this guaranty will be joint and several; and

(2) he or she will render any payment or performance required under the Agreement upon demand if the FRANCHISEE fails or refuses punctually to do so; and

(3) such liability will not be contingent upon or conditioned upon the pursuit by HSF or Affiliates of any remedies against the FRANCHISEE or any other person; and

(4) such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or the indulgence which HSF or Affiliates may from time to time grant to the FRANCHISEE or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable during the term of the Agreement.

If HSF or any of the Affiliates are required to enforce this Guaranty and Assumption of Obligations in any judicial proceeding or appeal thereof, the GUARANTORS will reimburse HSF and Affiliates for its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty and Assumption of Obligations.

The undersigned Guarantors also recognize that certain disputes relating to the Franchise Agreement are to be resolved by arbitration and hereby consent to such arbitration in accordance with the terms of the Franchise Agreement. Further, undersigned Guarantors also hereby consent to the applicability of the venue, governing law and jurisdiction provisions in the Franchise Agreement. The terms contained in the Agreement and this Guaranty and Assumption of Obligations constitute the entire agreement between the parties, and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein.

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed their signatures on the same day and year as the Agreement was executed.

Print Name: ______________________

Signature: ________________________
Date: ____________________________
Address: _________________________
____
____

Print Name: ______________________

Signature: ________________________
Date: ____________________________
Address: _________________________
____
____

SBA ADDENDUM
RELATING TO
HSF FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS ADDENDUM (Addendum) is made and entered into on ______________, 20______, by HSF Franchising, LLC, a Missouri limited liability company ("Franchisor"), and ___________________________, a __________________________ ("Franchisee").

Recitals. Franchisor and Franchisee entered into a Franchise Agreement on ______________, 20____ (the "Franchise Agreement") pursuant to which Franchisee agreed, among other things, to operate and maintain a Hotshots Sports Bar and Grill restaurant franchise (the "Grill"). Franchisee has obtained from a lender a loan ("Loan") in which funding is provided with the assistance of the United States Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.

2. Notwithstanding anything to the contrary in Section III.B.1, Section III.B.2 and Section XIII.C.6 of the Franchise Agreement, the Lease Provisions and the Collateral Assignment of Lease, if the Franchisee or any of its affiliates owns the real property upon which the business is located, (a) Franchisee shall not be required to create a separate entity to own the Site and then lease the Site to Franchisee at its full rental value and on commercially reasonable terms in accordance with Section III.B.1 of the Franchise Agreement, and (b) Franchisor (its assignees or affiliates) only has a right to lease the premises for the remaining term of the Franchise Agreement (excluding renewals) at fair market value.

3. Notwithstanding anything to the contrary in Sections VII.B and IX.D of the Franchise Agreement, the Franchisee shall have the discretion to set pricing for its products and services provided that, subject to applicable antitrust laws, such pricing: (1) is at or below any maximum price cap programs established by the Franchisor for its franchise system; or (2) is at or above any minimum price threshold programs established by the Franchisor for its franchise system; or (3) conforms to any bona fide promotional programs or national or regional accounts programs established from time to time by the Franchisor for its franchise system.

4. Notwithstanding Section XIII.D of the Franchise Agreement, if the Grill or its contents are to be sold pursuant to Section XIII.D, the purchase price for such sale shall be that price which is agreed to by Franchisor and Franchisee or, if the parties are unable to so agree, then such purchase price shall be the fair market value of such assets determined by 3 appraisers chosen as follows: Franchisor shall select one appraiser, Franchisee shall select one appraiser and the 2 appraisers so selected shall choose a third appraiser. The decision of the majority of the 3 appraisers so chosen shall be conclusive as to the price for such sale. The cost of the appraiser selected by the applicable party shall be borne by such party, and the cost of the appraiser selected by the 2 appraisers shall be shared equally by Franchisor and Franchisee.

5. Notwithstanding Section XIII.E of the Franchise Agreement, if Franchisor must operate the business under Section XIII.E of the Franchise Agreement, Franchisor will operate the business for a

90-day renewable term, renewable as necessary for up to one year, and Franchisor will periodically discuss the status of said operation with Franchisee or its heirs.

6. Section XVI.D of the Franchise Agreement provides that the Franchisor (or any third-party assignee of the Franchisor) may elect pursuant to its right of first refusal to exercise said option when the Franchisee decides to sell partial interest(s) in the business. This section is hereby amended to reflect that the Franchisor (or any third-party assignee of the Franchisor) will not exercise the option for any partial sale of the Franchisee's business. The Franchisor (third party assignee of the Franchisor) may not become a partial owner of any SBA financed franchises.

7. Notwithstanding Section XVI.B.10 of the Franchise Agreement and the Guaranty and Assumption of Obligations, Franchisee will not be held liable for the performance of the obligations of the assignee upon a Transfer.

8. This Addendum automatically terminates on the earliest to occur of the following: (i) a termination or expiration of the Term of the Franchise Agreement; (ii) the Loan is paid; or (iii) SBA no longer has any interest in the Loan. Upon termination of this Addendum, if the Franchise Agreement shall continue, the terms of the Franchise Agreement which were modified by this Addendum shall automatically revert to the terms set forth in the Franchise Agreement without further action by Franchisor or Franchisee.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

FRANCHISOR:	**FRANCHISEE:**
HSF FRANCHISING, LLC	____
By: ______________________________ Matthew Scott Volmert, Chief Executive Officer	By: ____________________________________ Print Name: ______________________________ Title: ____________________________________

EXHIBIT I

ASSIGNED TERRITORY

The Grill will be located at:

Your Assigned Territory will be:

EXHIBIT II

LEASE PROVISIONS

Any lease executed by you for the operation of the Grill will contain the following provisions or an addendum to the lease as follows.

ADDENDA TO LEASE

This lease addenda entered into this _____ day of _____________, 20_____, by and between ____________________________________ ("FRANCHISEE") and ______________________________ ("LANDLORD") for the premises located at ____ in the City of ___________________, State of __________________;

WHEREAS, FRANCHISEE has executed a Franchise Agreement ("Franchise Agreement") with HSF Franchising, LLC ("HSF"), and as part of the Franchise Agreement, the lease ("Lease") for the franchised Hotshots Sports Bar and Grill restaurant ("Grill") must contain certain provisions; and

WHEREAS, LANDLORD and FRANCHISEE agree that the terms contained herein will be applicable to the Lease, notwithstanding anything contained in the Lease to the contrary;

NOW, therefore, in consideration of the mutual promises contained herein and the execution of the Lease, which execution is made simultaneously with this Addenda, LANDLORD and FRANCHISEE hereby agree as follows:

1. LANDLORD agrees that FRANCHISEE cannot assign the Lease or renew, amend or extend the term of the Lease without the prior written consent of HSF.

2. LANDLORD agrees to furnish HSF with copies of all letters and notices sent to FRANCHISEE pertaining to the Lease at the same time that such letters and notices are sent to FRANCHISEE. LANDLORD further agrees that, if it intends to terminate the Lease, the LANDLORD will give HSF thirty (30) days advance written notice or such intent, specifying in such notice all defaults that are the basis of the proposed termination. HSF will have, after the expiration of the period during which FRANCHISEE may cure such default, an additional fifteen (15) days (or if there is no cure period, at least fifteen (15) days) to cure, at its sole option, any such defaults. HSF, or an affiliate of HSF, will have the right, but not obligation, upon giving written notice of its election to FRANCHISEE and LANDLORD, to cure the breach and succeed to FRANCHISEE's rights under the Lease, and any renewals or extensions thereof.

3. Upon default, expiration or termination of the Franchise Agreement or the Lease, and upon notice to LANDLORD, HSF or its designee will have the option, but not the obligation, to assume the obligations of FRANCHISEE under the Lease, on the same terms and conditions available to the FRANCHISEE. Further, if FRANCHISEE or any other party with an interest in FRANCHISEE transfers to HSF or another party all of its or their interest in the Franchise Agreement, the FRANCHISEE or the Grill, the transferee will have the right to assume the Lease on the same terms and conditions as contained in the Lease.

4. HSF will have the right to enter the premises to make any reasonable modification or reasonable alteration necessary to protect HSF's interest in its proprietary marks. LANDLORD agrees that in such event HSF will not be liable for trespass or any other crime or tort. Further, HSF or its designated agents will be permitted to enter the leased premises for purposes of making inspections in accordance with the terms of the Franchise Agreement.

5. FRANCHISEE may assign to HSF all its rights of further assignment at any time if the LANDLORD is given reasonable notice thereof. Such an assignment will be effective only if accepted in writing by HSF.

6. If requested by HSF, LANDLORD will provide HSF with whatever information LANDLORD has regarding FRANCHISEE'S sales from its operation of the Grill. LANDLORD acknowledges that the Franchise Agreement grants HSF the right of inspection of FRANCHISEE'S premises, and LANDLORD agrees to cooperate with HSF'S efforts to enforce HSF'S inspection rights.

7. LANDLORD agrees that FRANCHISEE will have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as FRANCHISEE is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which FRANCHISEE may operate the Grill on the Premises.

8. Copies of all notices pertaining to the Lease will also be sent to HSF at the following address, or at such other address as may be designated by HSF in writing: 512 Pearce Blvd., Wentzville, Missouri 63685, Attn: Matthew Scott Volmert.

9. HSF will be a third-party beneficiary of this Addenda to Lease and has the right independently of FRANCHISEE to enforce all its rights hereunder.

10. To the extent of any conflict between the terms and conditions of this Addenda to Lease and the Lease, this Addenda to Lease will govern.

FRANCHISEE	**LANDLORD**
______________________________	______________________________
By: ___________________________	By: ___________________________

EXHIBIT III

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned, ____________________________________ a ____________________ ("FRANCHISEE"), hereby assigns, transfers and sets over unto HSF Franchising, LLC, a Missouri limited liability company ("HSF"), all of FRANCHISEE's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (the "Lease"), respecting the premises commonly known as ___________________________________. This Assignment is for collateral purposes only and except as specified herein, HSF has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless HSF takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of FRANCHISEE thereunder.

FRANCHISEE represents and warrants to HSF that it has full power and authority to so assign the Lease and its interest therein, and that FRANCHISEE has not previously assigned or transferred, and is not currently obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by FRANCHISEE under the Lease or a default or expiration under the franchise agreement by and between FRANCHISEE and HSF for a Hotshots Sports Bar and Grill restaurant (the "Franchise Agreement"), or in the event of a default by FRANCHISEE under any document or instrument securing the Franchise Agreement or any other agreement between FRANCHISEE and HSF or HSF's affiliates, HSF will have the right, and is hereby empowered, to take possession of the premises demised by the Lease, expel FRANCHISEE therefrom, and, in such event, FRANCHISEE will have no further right, title or interest in the Lease.

FRANCHISEE agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of HSF. Throughout the term of the Franchise Agreement and any renewal thereto, FRANCHISEE agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that said option must be exercised, unless HSF otherwise agrees in writing. Upon failure of HSF to otherwise agree in writing, and upon failure of FRANCHISEE to so elect to extend or renew the Lease as stated herein, FRANCHISEE hereby appoints HSF as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of FRANCHISEE for the sole purpose of effecting such extension of renewal. But HSF will not be obligated to exercise any such extension or renewal option.

HSF FRANCHISING, LLC	**FRANCHISEE:**
By: ____________________________	By: ___________________________________
Matthew Scott Volmert	Name: _________________________________
Chief Executive Officer	Title: __________________________________

EXHIBIT IV

NON-COMPETITION AND CONFIDENTIALITY AGREEMENT

NON-COMPETITION AND CONFIDENTIALITY AGREEMENT

In consideration of my employment in a supervisory capacity by ___________________________ ("Franchisee") a franchisee of HSF Franchising, LLC ("HSF"), I agree that:

1. I will not use the Hotshots Bar and Grill System or engage directly or indirectly as an owner, employee, proprietor, stockholder, partner, director, officer, agent, or in any other capacity, in any sports-themed bar and restaurant that specializes in offering alcoholic beverages, grilled foods, chicken wings, soups, salads, hot and cold sandwiches and/or pizza, and/or providing customers access to billiards, darts, and/or arcade games (except for other Hotshots Sports Bar and Grill restaurants) during the term of my employment.

2. After termination or expiration of my employment, I will not be directly or indirectly associated individually or as an employee, proprietor, stockholder, partner, owner, agent or officer or in any other capacity, in any sports-themed bar and restaurant that specializes in offering alcoholic beverages, grilled foods, chicken wings, soups, salads, hot and cold sandwiches and/or pizza, and/or providing customers access to pool, darts, and/or arcade games (except for other Hotshots Sports Bar and Grill restaurants) within 10 miles of any Hotshots Sports Bar and Grill restaurant (whether such restaurant is owned by HSF, an affiliate of HSF or franchisees of HSF or HSF's affiliates), for a period of 2 years following the end of my employment or the entry of final order of a court of competent jurisdiction enforcing this covenant, whichever is later.

3. I will not, during the term of my employment, or after termination, communicate or divulge to anyone, any information or knowledge concerning the products, services, standards, procedures, techniques, recipes and other information or material which HSF or Franchisee may designate as confidential, nor will I disclose, use or divulge in whole or in part any trade secrets, recipes or operating procedures of HSF or its affiliates, unless such information is generally known and in the public domain.

4. Should any provision of this Agreement be construed or declared invalid, such decision will not affect the validity of any remaining portion, which will remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated. If any restriction contained in this Agreement is deemed too broad to be capable of enforcement, a court of competent jurisdiction is hereby authorized to modify or limit such restriction to the extent necessary to permit its enforcement. All covenants contained in this Agreement, including those relating to non-competition, are to be interpreted and applied consistent with the requirements of reasonableness and equity.

5. This Agreement may be enforced by either HSF, its successor, or Franchisee, and I understand that it is intended to protect the legitimate business interests of HSF, its successors, its franchisees, and Franchisee. If suit is brought to enforce this Agreement, I agree to pay reasonable attorneys' fees and expenses incurred by the party bringing the suit. The terms of this Agreement are assignable by Franchisee and inure to the benefit of Franchisee, as well as HSF and their successors and assigns. In the event of any assignment, sale, merger or changes in ownership or structure of Franchisee or HSF, the resulting entity will step into the place of Franchisee or HSF respectively, without any additional consent or notice to Franchisee, as if the term Franchisee or HSF were defined in this Agreement to include such entity.

Date: ___________________________
Name: __________________________

Signed: _________________________

EXHIBIT V

IRREVOCABLE POWER OF ATTORNEY

That ____________________ ("FRANCHISEE") does hereby irrevocably constitute and appoint HSF Franchising, LLC ("HSF"), FRANCHISEE's true and lawful attorney-in-fact and agent for FRANCHISEE and in FRANCHISEE's name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of HSF, are necessary or advisable for the sole purpose of assigning to HSF all of FRANCHISEE's right, title and interest in and to any and all telephone numbers used in connection with the Hotshots Sports Bar and Grill restaurant located at ____ and all related Yellow Pages, White Pages and other business listings, including the execution and delivery of any Transfer of Service Agreement and any other transfer documentation required by the applicable telephone service company providing telephone services to FRANCHISEE, and to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record, and file all such agreements, certificates, instruments and documents as, in the sole discretion of HSF, are necessary or advisable for the sole purpose of assigning to HSF all of FRANCHISEE's right, title and interest in and to any Internet and website name pages, domain name listings, and registrations that contain HSF's proprietary trademarks, or any of them, in whole or in part, hereby granting unto HSF full power and authority to do and perform any and all acts and things which, in the sole discretion of HSF, are necessary or advisable to be done as fully to all intents and purposes as FRANCHISEE might or could itself do, and hereby ratifying and confirming all that HSF may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether FRANCHISEE has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with HSF will be required to ascertain the authority of HSF, nor be responsible in any way for the proper application of funds or property paid or delivered to HSF. Any person, firm or corporation dealing with HSF will be fully protected in acting and relying upon a certificate of HSF that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and FRANCHISEE will not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of FRANCHISEE by HSF will be deemed to include such a certificate on the part of HSF, whether or not expressed. This paragraph will survive any termination of this Power of Attorney.

This Power of Attorney will terminate 2 years following the expiration or termination of the term of that certain Franchise Agreement dated of even date herewith by and between HSF and FRANCHISEE. But such termination will not affect the validity of any act or deed that HSF may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest and such Power of Attorney will not be affected by the subsequent disability or incapacity of the principal.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the undersigned has executed this Irrevocable Power of Attorney as of the ____ day of ________________, 20______.

FRANCHISEE:

By: ____________________________________

Name: __________________________________

Title: ___________________________________

THE STATE OF ______________________)
)
COUNTY OF _________________________)

BEFORE ME, the undersigned authority, on this day personally appeared ____________________ of ____________________, known to me to the person whose name is subscribed to the foregoing instrument, who acknowledged to me that the foregoing instrument was executed for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the ____ day of______________, 20_______.

Notary Public

My Commission Expires:

EXHIBIT VI

MUD ADDENDUM

THIS ADDENDUM ("MUD Addendum") is made and entered into on ____________, 20_____, by HSF FRANCHISING, LLC, a limited liability company organized under Missouri law ("us", "our" or "we"), and _______________________________________, a _____________________ ("you" or "your").

Recitals. You and we entered into a Multi-Unit Development Agreement on __________, 20____, ("MUD Agreement") requiring you to open and operate 3 or more Units in the Development Area (as such term is defined in the MUD Agreement). On ______________, 20____ you and we entered into a Franchise Agreement ("Franchise Agreement") to open one of the Units required under the MUD Agreement.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. Amendment to Section IV of the Franchise Agreement is hereby deleted in its entirety and replaced with the following:

"**INITIAL FRANCHISE FEE**. Because the Initial Franchise Fee was paid when you signed the MUD Agreement, no additional Initial Franchise Fee is due under this Agreement."

2. Effectiveness of Agreement: To the extent not amended herein, all other terms and conditions of the Franchise Agreement shall remain in full force and effect. No references to the amendments contained herein need be made in any instrument or document at any time referring to the Franchise Agreement and any such reference is deemed to be a reference to the Franchise Agreement as amended by this MUD Addendum. In the event of any conflict between the terms of the Franchise Agreement and the terms of the MUD Addendum, the terms of this MUD Addendum shall control.

3. Entire Agreement; Governing Law; Counterparts. This MUD Addendum contains the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior negotiations, agreements, and understandings with respect thereto; provided, however, that nothing in this MUD Addendum or any related document is intended to disclaim the representations we made in the Franchise Disclosure Document furnished to you. This MUD Addendum may only be amended by a written document duly executed by all parties hereto. This MUD Addendum shall be governed by and construed in accordance with the Governing Law and Jurisdiction provision in the Franchise Agreement.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this MUD Addendum as of the day and year first above written.

HSF FRANCHISING, LLC	**FRANCHISEE:** _______________________________
By: ______________________________	By: ___________________________________
Matthew Scott Volmert,	Name: _________________________________
Chief Executive Officer	Title: _________________________________

EXHIBIT VII

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, HSF Franchising, LLC, ("us", "our" or "we") and you are preparing to enter into a Franchise Agreement for the operation of a Hotshots Sports Bar and Grill franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Franchise Agreement and each exhibit and schedule attached to it? Yes ___ No ____

2. Have you received and personally reviewed the Hotshots Sports Bar and Grill Franchise Disclosure Document (the "FDD") that we provided to you?
Yes ___ No ____

3. Did you sign a receipt for the FDD indicating the date you received it?
Yes ___ No ____

4. Date on which you received the FDD and related Exhibits explaining the Hotshots Sports Bar and Grill franchise:
___________________, 20_____
(month, day)

5. Date on which you received a completed copy, other than signatures, of the Franchise Agreement:
6. ___________________, 20_____
(month, day)

7. Date on which you signed the Franchise Agreement:
8. ___________________, 20_____
(month, day)

9. Were you given the opportunity to discuss the benefits and risks of operating a Hotshots Sports Bar and Grill franchise with an attorney, accountant, or other professional advisor, and do you understand those risks?
Yes ___ No ____

10. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
Yes ___ No ____

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn or that any of our Grills earn in operating the business other than what is discussed in Item 19 of the FDD?
Yes ___ No ____

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating the business?
Yes ___ No ____

13. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?
Yes ___ No ____

14. Do you understand that this franchise business may be impacted by other risks, including those outside your or our control such as local, national or global economic, political or social disruption, and that such disruptions, and any preventative, protective, or remedial actions that federal, state and local governments may take in response to a disruption may result in a period of business disruption, reduced customer demand and reduced operations?
Yes ___ No ____

* * *

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. You are also representing that you have reviewed all of these questions and the answers with the other owners of you or the business and any of your representatives who had discussions with us or any of our officers, agents, or employees. The responses from those people are also included by you above.

Dated on _________________, 20_____.

FRANCHISE APPLICANT

Name: _________________________________

Signature: _______________________________

EXHIBIT B
MUD AGREEMENT

HSF FRANCHISING, LLC
MULTI-UNIT AGREEMENT

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HSF FRANCHISING, LLC
MULTI-UNIT AGREEMENT

THIS MULTI-UNIT AGREEMENT ("Agreement") is made and entered into as of the _____ day of ____________________, 20________, by and between HSF FRANCHISING, LLC, a Missouri limited liability company ("we", "us" or "our"), and ___________________________, a _____________ ("you" and "your").

PREAMBLE

We are engaged in the business of franchising "Hotshots Sports Bar and Grill" restaurants under the Marks and Systems as more fully described in the HSF Franchising, LLC Franchise Agreement, which may be amended from time to time ("Franchise Agreement"); and

You are aware of the benefit derived from being identified with and franchised by us in order to use the Marks and System as more fully described in the Franchise Agreement; and

You have simultaneously executed a Franchise Agreement pertaining to the first Hotshots Sports Bar and Grill restaurant ("First Unit"), which you agree to open or have opened within the time specified in the Franchise Agreement; and

You desire to obtain development rights to establish and operate additional Hotshots Sports Bar and Grill restaurant franchises ("Subsequent Units") from us within a specific geographical area and according to a specific time schedule under the terms and conditions set forth herein; and

The capitalized terms under this Agreement will have the same meaning as those same capitalized terms under the Franchise Agreement.

NOW, the parties agree as follows:

I. TERRITORIAL EXCLUSIVITY

A. **MUD Area**. According to the terms and conditions in this Agreement, we grant to you and you accept from us, the exclusive right, during the term of this Agreement, to establish and operate franchised units of Hotshots Sports Bar and Grill restaurants (each referred to as a "Unit" and collectively referred to as the "Units") in the area, which we refer to as the "MUD Area" described in Attachment A. So long as you are not in default under this Agreement or any other agreement with us or our Affiliates, neither we nor our Affiliates will operate or grant a franchise to any other person or entity to operate a Hotshots Sports Bar and Grill restaurant within the MUD Area excluding in a transportation facility, a sporting facility, an educational facility or a military facility ("Non-Traditional Location"). Notwithstanding any other term or condition of this Agreement to the contrary, you may not develop a Hotshots Sports Bar and Grill restaurant that is within the Assigned Territory of another Hotshots Sports Bar and Grill restaurant which is either open or has been approved for development. The boundaries of your MUD Area shall not change regardless of political reorganization or changes.

Until the termination or expiration of this Agreement, you retain your right of exclusivity as long as you comply with the MUD Schedule (as defined below). If you fail to meet any of your obligations under this Agreement, including compliance with the MUD Schedule, or if you breach any Franchise Agreement executed by you, we may terminate this Agreement along with your right to develop, open and operate new Units within the MUD Area, but the termination of this Agreement and the right to develop your MUD Area will not terminate any rights granted under the Franchise Agreements then in effect between you and us in which you are in compliance. After the expiration or termination of this Agreement, we may own, operate, franchise or license others to operate Hotshot Sports Bar and Grill restaurants anywhere, without restriction, including in your MUD Area, except for within any Assigned Territories under your Franchise Agreement(s) which remain in effect.

B. **The Rights We Retain in the MUD Area**. Except as limited by Section I.A. above, we and our Affiliates retain all rights with respect to Hotshots Sports Bar and Grill restaurants, the Marks, the sale of similar or dissimilar products and services and any other activities we deem appropriate whenever and wherever we desire, including (1) the right to own or operate, or license others to own or operate Hotshots Sports Bar and Grill restaurants immediately adjacent to your MUD Area or anywhere outside of your MUD Area; (2) the right to operate or license others the right to operate Hotshots Sports Bar and Grill restaurants in any Non-Traditional Location within your MUD Area; (3) the right to operate or license others to operate similar businesses or any other businesses and services under trademarks or service marks other than the Marks in any location, both inside or outside of your MUD Area; (4) the right to operate or license others to operate businesses that are not similar to a Hotshots Sports Bar and Grill restaurant under the Marks in any location, both inside or outside of your MUD Area; and (5) the right to offer any products or services (including the products and services you offer at your Hotshots Sports Bar and Grill restaurant(s)) through other channels of distribution such as grocery stores, the Internet, print catalogues, direct marketing media and any other non-restaurant outlets (grocery stores and warehouse clubs) both inside and outside of your MUD Area, and we may promote products bearing the Marks at special events, athletic contests, etc., through temporary locations and mobile units. We are not required to pay you if we exercise any of the rights specified above inside your MUD Area.

II. DEVELOPMENT OBLIGATIONS

A. **MUD Schedule**. You will construct, equip, open and operate within the MUD Area the number of Units as are described in Attachment A attached to this Agreement ("MUD Schedule"). Further, you must open each Unit within the time period described in the Franchise Agreement applicable to that Unit and in the MUD Schedule. You must execute our then current Franchise Agreement together with all standard ancillary documents (including exhibits, guarantees and other related documents) and pay the remaining balance of the Initial Franchise Fee due for each of the Subsequent Units within the time periods described in the MUD Schedule. You will at all times faithfully and diligently comply with the obligations imposed by this Agreement and under the Franchise Agreement for each Unit.

B. **Force Majeure/Time of Essence**. It is of material importance to us that you timely perform all obligations under this Agreement and the Franchise Agreement for each Unit. Should you be unable to meet the MUD Schedule solely as the result of force majeure, which includes strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including our inability to deliver a franchise disclosure document), and which you could not have avoided by the exercise of due diligence, the MUD Schedule will be extended by the amount of time during which such force majeure existed.

III. TERM. The term of this Agreement will start on the date this Agreement is signed by both parties and you have paid us the MUD Fee. Unless terminated earlier according to the terms of this Agreement, the term of this Agreement and all development rights granted in this Agreement will expire at the earlier of the opening of the last Unit listed in the MUD Schedule or the expiration date listed on Attachment A. There is no right to renew this Agreement.

IV. MUD FEE. In exchange for the rights granted under this Agreement, you will pay us a MUD Fee (the "MUD Fee"). The MUD Fee will equal $120,000 for the first 3 Units you agree to develop, plus

$30,000 for each additional Unit you agree to develop in the MUD Area. When you sign a Franchise Agreement for each of your Units, we will credit you with payment in full of the Initial Franchise Fee due for that Unit. You will pay us the MUD Fee when you sign this Agreement. The total MUD Fee is described on Attachment A attached to this Agreement.

No part of the MUD Fee is refundable, even if you fail to proceed with the development of Units under this Agreement.

V. FRANCHISE AGREEMENT

A. **Signing the Franchise Agreement**. Within the times specified in the MUD Schedule, you must execute the then current Franchise Agreement for each Subsequent Unit and pay the balance of the Initial Franchise Fee as described in the Chart in Section IV above. The Royalty Fees and the Advertising Fees in the Franchise Agreement will be the same as in our standard form franchise agreement being offered as of the date of this Agreement. In no event will you be required to sign a Franchise Agreement until such time as we have complied with any applicable waiting periods required by law.

B. **Complying with the Franchise Agreement**. After you sign a Franchise Agreement, you must fully comply with all of the terms contained in the Franchise Agreement including paying all of the fees required by that Franchise Agreement in a timely manner. YOU DO NOT OBTAIN ANY RIGHTS AS A FRANCHISEE FOR A PARTICULAR LOCATION UNTIL A FRANCHISE AGREEMENT IS SIGNED BY YOU AND US AND YOU HAVE PAID US THE BALANCE OF THE INITIAL FRANCHISE FEE. You must submit all proposals for sites to us for our consent. We have the right, in our absolute discretion, to withhold our consent to any site you propose. Our consent to the site is no assurance of success.

C. **Our Discretion**. You acknowledge that all Units must be developed and operated according to our standards. You agree and recognize that we may refuse to grant a Franchise Agreement for a Subsequent Unit if we believe, in our reasonable judgment, that you do not have sufficient financial resources and other ability (including, but not limited to, experience, character, skill, aptitude, attitude, and business acumen sufficient to operate multiple locations) to properly develop and operate the proposed Subsequent Unit. We may take into account, among other things, your past performance and financial success of your existing Units. In order to assist us in making such a determination, you must provide us, upon our request, the financial and other information regarding your existing Unit(s) and the proposed Subsequent Unit. Our approval, however, is not deemed to be a warranty of your financial or other ability to develop and operate the proposed Subsequent Unit(s).

D. **Marks**. You acknowledge that we are not granting you any right to use the Marks under this Agreement. Any rights you receive regarding the use of the Marks arise from the Franchise Agreement you signed or will sign and you may only use the Marks pursuant to the terms of that Franchise Agreement.

VI. ASSIGNABILITY

A. **By You**. You are not permitted to transfer, directly or indirectly, any or all of your interest in this Agreement or any ownership interest in you without our prior written consent, in our sole and absolute discretion.

B. **By Us**. This Agreement is fully assignable, in whole or in part, by us, without your consent. Upon our assignment, we are relieved of all liability under this Agreement and all rights and obligations will accrue to our successor or assignee.

C. **No Subfranchising**. You must not offer, sell, or negotiate the sale of Hotshots Sports Bar and Grill restaurant franchises to any third party, either in your name or on our behalf or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting you the right to do so.

VII. DEFAULT AND TERMINATION

A. **Default by You**. Upon written notice to you, we may terminate this Agreement for cause, but without providing you an opportunity to cure, in the event of any material breach of this Agreement by you. Material breach, as used in this Section VII, will include, among other things, the following:

(a) Any attempt by you to sell, assign, transfer or encumber, in whole or in part, any or all rights and obligations under this Agreement without the written consent required by this Agreement;

(b) Your failure to develop each of the Units within the MUD Schedule set forth in this Agreement if not cured within 30 days after written notice;

(c) Your bankruptcy, insolvency or general assignment for the benefit of creditors;

(d) Any material breach by you or your affiliate of any Franchise Agreement between you or your affiliates and us which is not cured within the applicable cure period in that Franchise Agreement; or

(e) You or your owners commit or are alleged to have committed, are convicted of, or plead guilty or no contest to, a felony or crime of moral turpitude or fraud which we believe may adversely affect the System or goodwill associated with the Marks.

B. **Rights on Termination, Expiration or Assignment**. Upon expiration or termination, for any reason, of this Agreement, all of your rights regarding the MUD Area will cease and any remaining rights you may have to open any Subsequent Unit will cease. We will be entitled to establish, or to license others to establish, restaurants using the Marks and System in the MUD Area, subject to the provisions in any existing Franchise Agreements you or your affiliates have with us relating to the Assigned Territory defined in those Franchise Agreements. You or your affiliates will continue to operate Hotshots Sports Bar and Grill restaurants according to the signed Franchise Agreements between you or your affiliates and us, if such Franchise Agreements have not been terminated. A default and termination under this Agreement does not constitute a default and termination under any Franchise Agreement between you or your affiliates and us.

VIII. DISPUTE RESOLUTION

A. **Mediation**.

1. Before any party may bring an action in court for any controversy, dispute or claim between you and us arising from this Agreement or the franchise relationship set forth in this Agreement, the parties must first have a conference with each other to try to resolve the dispute. If this fails to bring about a resolution, the dispute will first be submitted to non-binding mediation (the "Mediation") in St. Louis, Missouri, unless the parties mutually agree to another location. The Mediation shall be conducted in accordance with then-current AAA mediation rules (the "AAA Mediation Rules") except to the extent

the AAA Mediation Rules differ from the terms of this Agreement, in which event the terms of this Agreement shall be applied. Notwithstanding the foregoing, the mediation does not have to be conducted under the AAA. You and we will select the mediator. If the parties cannot agree on the selection of a mediator, the mediation shall be conducted through the AAA who will make the selection of mediator using their rules and guidelines. The cost of the Mediation, including the mediator's fee and expenses, shall be paid by you. All negotiations and mediation proceedings (including without limitation, discovery conducted therein, as well as all statements and settlement offers made by either party or the mediator in connection with the Mediation) shall be strictly confidential, shall be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and shall not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose. If the parties, after a good faith effort to settle the dispute using Mediation, are unable to reach settlement, you and we agree that the dispute will be resolved according to the Articles below. Failure to submit the dispute to Mediation prior to commencing any litigation or arbitration proceeding shall be grounds for dismissal of the litigation or arbitration proceedings.

2. Notwithstanding the foregoing, the obligation of this Section VIII.A.1 to mediate will not be binding with respect to claims brought by us relating to our trademarks, service marks, patents, or copyrights, including the Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by either party for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable injury pending resolution of the actual dispute between the parties, which may be brought by us in accordance with Section VIII.B.

B. **Litigation**.

1. Except as otherwise provided in this Agreement, all controversies, disputes or claims between you and us arising from this Agreement or the franchise relationship set forth in this Agreement shall be filed in the Federal District Court for Eastern District of Missouri when the grounds set forth in 28 U.S.C.§ 1332 are present. Both parties and each guarantor of this Agreement irrevocably submit to the jurisdiction of this court and waive any objection to the application of Missouri law or to the jurisdiction or venue in this court. In the event that the above-referenced federal court does not have jurisdiction over the dispute, the parties shall submit to binding arbitration as provided below.

2. Notwithstanding the foregoing, any claims we have relating to our trademarks, service marks, patents, or copyrights, including the Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by us for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable injury pending resolution of the actual dispute between the parties may also be brought by us in state courts in St. Louis County, Missouri. You agree to submit to the jurisdiction of the state courts in St. Louis County, Missouri.

C. **Arbitration**.

1. If the federal court described above does not have subject matter jurisdiction over the dispute, the parties, subject to all other provisions above, will submit the dispute to binding arbitration conducted in St. Louis, Missouri (unless the parties mutually agree otherwise). The arbitration proceeding will be conducted in accordance with the then current commercial arbitration rules of the American

Arbitration Association ("AAA Rules"), except to the extent the AAA Rules differ from the terms of this Agreement, in which event the terms of this Agreement will apply. Notwithstanding the foregoing, the arbitration does not have to be conducted under the AAA. The arbitrator must be mutually selected by the parties and must have at least 5 years of substantial experience in franchise law. Each party will be limited to 25 document requests, 15 interrogatories and 1 deposition unless otherwise agreed to between the parties. For purposes of this Article, if any dispute that names, involves or includes us, our respective affiliates, officers, directors, agents, brokers or employees, such persons or entities shall also be included in and made party to the arbitration proceeding to the extent such parties consent to proceeding forward in arbitration.

2. The arbitrator will have the right to award or include in his award any relief which he deems proper in the circumstances, including money damages (with interest on unpaid amounts from date due), specific performance, and attorneys' fees and costs; however, the arbitrator will not be allowed to award or include in his award any punitive, exemplary, or consequential damages, to which the parties waive any right. The arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability or enforceability of this Article, including but not limited to any claim that all or any part of this Article is void or voidable. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; or (2) make any award which extends, modified or suspends any lawful term of this Agreement. Each party waives any right to contest the validity or enforceability of the award of an arbitrator under this Article except to the extent permitted by applicable law. The arbitrator must submit a reasoned award and this award must be consistent with the terms of this Agreement. If the arbitrator's award is not reasoned or not consistent with the terms of this Agreement, then notwithstanding the foregoing, we may appeal the arbitration award in Federal or State Court. An arbitration award or decision entered in any other case (whether or not we were a party) will not be binding on us in any other dispute, will have no precedential value and cannot be used as evidence in any other proceeding.

3. The arbitrator will apply the provisions of any applicable statute of limitations. In connection with any arbitration proceeding, you and we will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any of these compulsory claims which are not submitted or filed in the same proceeding in which they relate will be barred. This provision will continue in full force and effect subsequent to and notwithstanding the transfer of this Agreement, or the termination or expiration of the term of this Agreement. Except as provided in Section VIII.C.1 above, the arbitration will be conducted on an individual, not a class-wide basis. None of the parties to the arbitration will be entitled to consolidation of the arbitration proceedings with the proceedings of any third party, nor will the arbitrator or any court be empowered to order a consolidation of proceedings with any third party.

4. Notwithstanding the foregoing, the obligation of this Section VIII.C to arbitrate will not be binding with respect to claims brought by us relating to our trademarks, service marks, patents, or copyrights, including the Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by either party for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable injury pending resolution by arbitration of the actual dispute between the parties, which may be brought by us in accordance with Section XVIII.B.

D. **Dispute Resolution Fee**. If you or your guarantors have not complied with the provisions in this Section VIII, you shall reimburse us for all our expenses incurred in curing your breach (including, without limitation, our attorneys' fees and costs related to dismissing and responding to any improperly filed claim) and pay us a Dispute Resolution Fee of $50,000 ("Dispute Resolution Fee"). You acknowledge and agree that we will be damaged by such breach. You agree that a precise calculation of the full extent of the damages that we will incur from the breach of the Dispute Resolution provisions of this Agreement are difficult to determine and all parties desire certainty in this matter and agree that the Dispute Resolution Fee provided herein is reasonable and constitute liquidated damages and not a penalty. We have the right to collect these amounts in addition to exercising any and all other rights we may have for non-compliance under this Agreement.

IX. MISCELLANEOUS

A. **Notices**. All notices required under this Agreement will be in writing and will be given: (i) if hand delivered on the day of delivery; (ii) 3 business days after placement in the United States Mail by registered or certified mail, postage prepaid return receipt requested, return receipt requested; or (iii) the day after placement with a courier guaranteeing overnight delivery, addressed to the address listed on the signature page of this Agreement or at such other address as either party will specify in a notice to the other party.

B. **Severability**. If any provision of this Agreement is considered to be invalid or inoperative for any reason, that part will be deemed modified to the extent necessary to make it valid and operative, or if it cannot be modified, then severed, and the remainder of the Agreement will continue in effect as if the Agreement had been signed with the invalid portion modified or eliminated.

C. **Non-Waiver**. Neither party's waiver of a breach or default by the other, nor delay or failure to exercise any right upon breach or default, nor acceptance of any payment, will be deemed a waiver, nor will it impair rights for other breaches or defaults of the same or a different kind. The description of any breach or default in any notice will not prevent the assertion of other defaults or breaches. We may waive any one or more of the requirements imposed under this Agreement for the benefit of any particular franchisee or any particular Unit, but the waiver in favor of any other franchisee or Unit will not prevent us from enforcing the requirements against you, all other franchisees and all other Units.

D. **Remedies**. The remedies available to us are non-exclusive and nothing stated in this Agreement will act to prevent our pursuit of any other rights or remedies arising due to termination of this Agreement which may otherwise become available to us in law or equity. In no event will we be liable to you for prospective profits or special, indirect, punitive or consequential damages for any conduct arising out of this Agreement or our relationship with you.

E. **Attorney's Fees**. In the event of any court or arbitration proceeding, the non-prevailing party will reimburse the prevailing party for all of the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees which are incurred before, at trail and at all appellate levels, even if not taxable as court costs, in addition to any other relief to which such party or parties may be entitled.

F. **Approval And Guarantees Of Shareholders, Partners Or Members**. If you are a corporation, partnership or limited liability company, all shareholders, partners or members (and their shareholders, partners or members if they are an entity), and all of the spouses of the foregoing persons will guarantee this Agreement and each Franchise Agreement for a Unit. The execution and performance of this Agreement by you does not violate or constitute a breach of the terms of any other agreement or commitment to which you are a party.

G. **Choice Of Law**. You acknowledge that this Agreement was accepted in the State of Missouri. You acknowledge that you have and will continue to develop a substantial and continuing relationship with us at our principal offices in Missouri, where our decision-making authority is vested and franchise operations are conducted and supervised. Except to the extent that this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 115 U.S.C. 1051) or the U.S. Copyright Act of 1976 (17 U.S.C. 101), this Agreement will be governed, to the extent permissible, by the laws of the State of Missouri without regard to the principals of conflict of laws. If, however, any provision of this Agreement would not be enforceable under the laws of Missouri, and if the MUD Area is located outside of Missouri and the provision would be enforceable under the laws of the State in which the MUD Area is located, then the provision in question (and only that provision) will be interpreted and construed under the laws of the State where the MUD Area is located.

The provisions of this Agreement which conflict with any applicable law will be ineffective, but only to the extent not in accordance with applicable law, and instead, we will comply with the applicable law respecting each of these matters. If a state regulator requires an amendment to this Agreement, the amendment is attached to this Agreement in a State Law Addendum. We are not, however, precluded from contesting the validity, enforceability, or applicability of any state laws or regulations in any action relating to this Agreement or to its rescission or termination.

H. **Non-Liability Of Our Affiliates**. We are the only entity obligated to you under this Agreement. You may not look to any of our affiliates or related companies, other business entities or individuals for performance of this Agreement.

I. **Limitation of Legal Actions**.

1. YOU (AND YOUR GUARANTORS AND OWNERS) WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR PROSPECTIVE PROFITS OR SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES FOR ANY CONDUCT ARISING OUT OF THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU.

2. THE PARTIES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THEM RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP OF THE PARTIES.

3. ANY DISAGREEMENT BETWEEN YOU (AND YOUR GUARANTORS AND OWNERS) AND US (AND OUR AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND MUST NOT BE BROUGHT AS A CLASS ACTION AND YOU (AND YOUR GUARANTORS AND OWNERS) WAIVE ANY RIGHT TO PROCEED AGAINST US (AND OUR AFFILIATES, OWNERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

4. YOU WILL BE BARRED FROM BRINGING ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU, UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH YOU KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THAT CLAIM.

5. OUR MAXIMUM AGGREGATE LIABILITY AND THE MAXIMUM AGGREGATE LIABILITY OF ANY OF OUR OFFICERS, OWNERS, DIRECTORS, MEMBERS,

MANAGERS, EMPLOYEES, AFFILIATES, PARENTS OR SUBSIDIARIES RELATED TO ANY AND ALL CLAIMS RELATING TO OR ARISING FROM THIS AGREEMENT OR THE FRANCHISE RELATIONSHIP SET FORTH IN THIS AGREEMENT SHALL BE COLLECTIVELY LIMITED TO THE AMOUNT YOU PAID US WITHIN THE PRIOR 12 MONTHS IMMEDIATELY BEFORE WRITTEN NOTICE OF ANY PROPER CLAIM IS RECEIVED BY US.

J. **Third Party Beneficiary**. 1636 Country Club Plaza, Inc. is a third-party beneficiary to this Agreement and has the right to assume any of the responsibilities, duties or functions of us in the event that the agreement between 1636 Country Club Plaza, Inc. and us expires or is terminated for any reason. Furthermore, 1636 Country Club Plaza, Inc. will have the right, but not the obligation, to enforce your compliance with any provision of this Agreement.

K. **Receipt of the FDD**. You acknowledge receipt of our franchise disclosure document ("FDD") along with this Agreement, at least 14 days before your execution of this Agreement or any payment by you to us. If any unilateral modifications have been made to this Agreement you acknowledge that you have had at least 7 days to review them.

L. **Construction Of Language**. The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires; if more than one party or person is referred to as you, their obligations and liabilities will be joint and several. Headings are for reference purposes and do not control interpretation.

M. **Entire Agreement**. You and we each acknowledge and warrant to each other that you and we each wish to have all terms of our business relationship defined in this Agreement. Neither you nor we wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, you and we agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between us or anyone acting on our behalf and you or anyone acting on your behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and you and we each agree that we each have placed, and will place, no reliance on any such discussion; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the FDD furnished to you. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise rights or offer of franchise rights have been promised to you and no such franchise rights or offer of franchise rights shall come into existence, except by means of a separate writing, executed by one of our officers or such other entity granting the franchise rights and specifically identified as a modification of this Agreement. No amendment to this Agreement is binding unless executed in writing by both parties.

X. INDEPENDENT CONTRACTOR/INDEMNIFICATION

E. **Independent Contractor**. We and you are independent contractors, and no partnership, fiduciary, joint venture, or employment relationship exists between you and us. You will conspicuously identify yourself in all dealings with the public as an independently owned business. Neither we nor you will make any agreements or representations in the name of or on behalf of the other that our relationship is other than franchisor and franchisee.

F. **Indemnification**. Under no circumstances will we be liable for any act, omission, debt, or other obligation of yours. To the fullest extent permitted by law, you (for yourself and your employees, agents, subcontractors, successors and assigns) agree, at your sole cost and expense, to indemnify, defend and hold harmless, and to reimburse on demand us, and all entities related to us and our and their respective directors, officers, members, employees agents, managers, partners, attorneys, licensees, affiliates successors and assigns ("Indemnified Parties") from and against any and all damages, losses, liabilities, bodily injury, property damage, obligations, penalties, fines, claims, litigation, demands, defenses, judgments, suit proceedings, administrative orders, consent agreements, costs, disbursements or expenses of any kind or any nature whatsoever, including without limitation, reasonable attorneys' and expert fees and disbursements arising out of or related to or in any way arising out of the acts or omissions of you or your employees, agents, officers, directors, parents, subsidiaries, affiliates, successors and assigns ("Indemnitors") arising out of or related to (i) any act or omission, negligent or otherwise, of the Indemnitors or anyone directly or indirectly employed by them or anyone whose acts they may be liable for relative to the business contemplated by this Agreement; (ii) any breach by the Indemnitors or any term or provision of this Agreement; and (iii) the cost, including, but not limited to reasonable attorney's fees, of enforcing this indemnification provision. The obligations of Indemnitors are joint and several.

This indemnification must not be construed to indemnify an Indemnified Party to the extent such indemnification is prohibited by law, including an indemnification of any Indemnified Party from its own negligence, if prohibited by law. To the extent indemnification of any party hereunder would be prohibited by law, this provision will not apply to such party, but will continue to be effective as to all other parties with respect to whom indemnification is not prohibited by applicable law.

XI. REPRESENTATIONS AND ACKNOWLEDGMENTS/CAVEAT

YOU HAVE BEEN ADVISED TO MAKE AN INDEPENDENT INVESTIGATION OF OUR OPERATIONS. WE HAVE NOT AND DO NOT REPRESENT THAT YOU CAN EXPECT TO ATTAIN A SPECIFIC LEVEL OF SALES, PROFITS, OR EARNINGS. YOU HAVE BEEN ADVISED TO OBTAIN INDEPENDENT PROFESSIONAL ADVICE REGARDING THE FRANCHISE AND THE DEVELOPMENT RIGHTS GRANTED HEREIN. YOU ACKNOWLEDGE THAT YOU ARE ENTERING INTO THIS AGREEMENT, AND ALL ANCILLARY AGREEMENTS EXECUTED CONTEMPORANEOUSLY WITH THIS AGREEMENT, AS A RESULT OF YOUR OWN INDEPENDENT INVESTIGATION OF THE FRANCHISE AND NOT ON RELIANCE OF OR AS A RESULT OF ANY REPRESENTATIONS MADE BY OUR OWNERS, OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES, AGENTS, REPRESENTATIVES, ATTORNEYS, FRANCHISEES OR BROKERS WHICH ARE NOT CONTAINED IN OR ARE CONTRARY TO THE TERMS SET FORTH IN THIS AGREEMENT OR OF ANY REPRESENTATION IN THE FDD WE FURNISHED TO YOU. YOU UNDERSTAND THAT YOU MAY SUSTAIN LOSSES AS A RESULT OF THE OPERATION OR THE CLOSING OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT. YOU UNDERSTAND THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES A HIGH DEGREE OF FINANCIAL RISK AND DEPENDS TO A LARGE DEGREE ON YOUR SKILLS, ABILITIES, INITIATIVE, AND HARD WORK. WE DO NOT MAKE ANY REPRESENTATION OR WARRANTY AS TO THE POTENTIAL SUCCESS OF THIS BUSINESS VENTURE. THIS AGREEMENT IS EFFECTIVE ONLY ONCE YOU AND WE BOTH SIGN THE AGREEMENT.

YOU REPRESENT TO US THAT YOUR SIGNATURE ON AND PERFORMANCE OF THIS AGREEMENT DOES NOT VIOLATE OR CONSTITUTE A BREACH OF THE TERMS OF ANY

OTHER AGREEMENT OR COMMITMENT TO WHICH YOU, YOUR GUARANTORS OR ANY OF YOUR OR THEIR AFFILIATES ARE A PARTY.

UNDER APPLICABLE U.S. LAW, INCLUDING WITHOUT LIMITATION EXECUTIVE ORDER 13224, SIGNED ON SEPTEMBER 23, 2001 (THE "ORDER"), WE ARE PROHIBITED FROM ENGAGING IN ANY TRANSACTION WITH ANY PERSON ENGAGED IN, OR WITH A PERSON AIDING ANY PERSON ENGAGED IN, ACTS OF TERRORISM AS DEFINED IN THE ORDER. ACCORDINGLY, YOU DO NOT, AND HEREAFTER WILL NOT, ENGAGE IN ANY TERRORIST ACTIVITY. IN ADDITION, YOU ARE NOT AFFILIATED WITH AND DO NOT SUPPORT ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY. FINALLY, YOU ARE NOT ACQUIRING THE RIGHTS GRANTED UNDER THIS AGREEMENT WITH THE INTENT TO GENERATE FUNDS TO CHANNEL TO ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY, OR TO OTHERWISE SUPPORT OR FURTHER ANY TERRORIST ACTIVITY.

NO PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE US EXCEPT AN AUTHORIZED OFFICER OF OURS BY A WRITTEN DOCUMENT. NO REPRESENTATIONS AS TO PROJECTIONS, FINANCIAL PERFORMANCE, POTENTIAL SUCCESS, FUTURE PROFITS, PROMISES, GUARANTEES OR WARRANTIES OF ANY KIND ARE AUTHORIZED TO BE MADE BY US OR OUR AFFILIATES OR REPRESENTATIVES OTHER THAN THOSE CONTAINED WITHIN ITEM 19 OF OUR FRANCHISE DISCLOSURE DOCUMENT.

YOU ACKNOWLEDGE THAT YOU HAVE RECEIVED, READ AND UNDERSTAND THIS AGREEMENT AND ITS ATTACHMENTS; THAT YOU HAVE HAD AN OPPORTUNITY TO ASK US ALL QUESTIONS RELATING TO THIS AGREEMENT AND THE SYSTEM; AND THAT WE HAVE ANSWERED ALL YOUR QUESTIONS TO YOUR SATISFACTION.

THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED TO BE UNDERTAKEN BY YOU IS SPECULATIVE AND DEPENDS, TO A LARGE EXTENT, UPON YOUR ABILITY AND EFFORTS. WE DO NOT MAKE ANY REPRESENTATION OR WARRANTY AS TO THE POTENTIAL SUCCESS OF THIS BUSINESS VENTURE. YOU REPRESENT AND ACKNOWLEDGE THAT YOU HAVE MADE AN INDEPENDENT INVESTIGATION OF US AND OUR OPERATIONS AND YOU ACKNOWLEDGE THAT YOU HAVE ENTERED INTO THIS AGREEMENT SOLELY IN RELIANCE UPON SUCH INDEPENDENT INVESTIGATION. THIS AGREEMENT IS EFFECTIVE ONLY ONCE YOU AND WE BOTH SIGN THE AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

HSF FRANCHISING, LLC

By: ___________________________________
Matthew S. Volmert, Chief Executive Officer

Address:

512 Pearce Blvd.
Wentzville, Missouri 63685

DEVELOPER

By:_________________________________
Name: ____________________________
Its: _______________________________

Address:

____
____

ATTACHMENT A (MUD AGREEMENT)

MUD AREA, MUD FEE, MUD SCHEDULE AND EXPIRATION DATE

MUD Area

The MUD Area is:

____

____

____

exclusive of any location in a transportation facility, a sporting facility, an educational facility or a military facility.

MUD Fee

Number of Units: ________

Total MUD Fee: _________

MUD Schedule

Unit Number	Date Franchise Agreement must be executed and Initial Franchise Fee paid	Date Unit Must be Operational

Expiration Date

The expiration date is _______________.

EXHIBIT C
STATE SPECIFIC ADDENDA TO
FDD, FRANCHISE AGREEMENT AND MUD AGREEMENT

STATE LAW ADDENDUM – ILLINOIS

Notwithstanding anything contained in the foregoing Franchise Agreement, MUD Agreement and Franchise Disclosure Document ("FDD") to the contrary, the following provisions of the Illinois Franchise Disclosure Act of 1987 ("Act") shall apply to any franchise located in the State of Illinois, which shall control to the extent of any inconsistency:

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

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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

All other terms and provisions contained in the Franchise Agreement and MUD shall remain in full force and effect, except to the extent specifically modified herein.

HSF FRANCHISING, LLC	**FRANCHISEE**
	______________________________
By:_________________________	By:__________________________
Date:________________________	Date:_________________________

STATE LAW ADDENDUM – INDIANA

Notwithstanding anything contained in the foregoing Franchise Agreement, MUD Agreement and Franchise Disclosure Document ("FDD") to the contrary, the following provisions shall apply to any franchise located in the State of Indiana:

1. **REGISTRATION OF THIS FRANCHISE IN THE STATE OF INDIANA DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER**.

2. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

The release that you must sign as a condition to renewal or transfer excepts claims arising under the Indiana Deceptive Franchise Practices Law, Indiana Code 23-2-2.7.

3. The Franchise Agreement, Multi-Unit Development Agreement and MUD Agreement for use in the State of Indiana specify that the Agreements and the construction of the Agreements will be governed by the laws of the State of Missouri except for the applicability of the Federal Arbitration Act and except that the Indiana Franchise Law (Indiana Code 23-2-2.5 and 23-2-2.7) will control where applicable.

4. The release that you must sign as a condition to renewal or transfer shall not apply to claims arising under the Indiana Deceptive Franchise Practices Law, Indiana Code 23-2-2.7.

5. The Indiana Franchise Law (Indiana Code 23-2-2.5 and 23-2-2.7) will control where applicable.

6. All other terms and provisions contained in the Franchise Agreement shall remain in full force and effect, except to the extent specifically modified herein.

HSF FRANCHISING, LLC	**FRANCHISEE**
	______________________________
By:_________________________	By:__________________________
Date:________________________	Date:_________________________

EXHIBIT D
LIST OF FRANCHISEES

LIST OF OUR FRANCHISES OPEN FOR BUSINESS

Franchisee	Address	Phone
Mahendra Enterprises, LLC Contact: Harvinder Dod and Sangeeta Bedi	601 S. Timberlane Drive El Dorado, Arkansas 71730	(870) 315-1320
LADS 20F LLC Contact: Vijay Kang	237 N Main Street Decatur, Illinois 62523	(217) 542-5444
CCDJ, LLC Contact: Don Wilburn	131 Arnold Crossing Court Arnold, Missouri 63010	(636) 287-6078
H & H SB & G, LLC Contact: Matt and Mark Hotop	15 North Main Street Cape Girardeau, Missouri 63701	(573) 335-9449
CCDJ, LLC Contact: Don Wilburn	1239 South Laclede Station Rd Webster Groves, Missouri 63119	(314) 755-1550
JMJ Entertainment, LLC Contact: Jason Jemmott	247 E Plaza, Suite N Mooresville, North Carolina 28115	(704) 799-0748
Bimal Parikh	1061 Pearl Rd. Brunswick, OH 44212	(234) 677 0087

LIST OF HOTSHOTS SPORTS BAR AND GRILL RESTAURANTS OWNED BY AFFILIATES OF HSF FRANCHISING, LLC

Affiliate	Address	Phone
2511 IL-157, L.L.C. (formed September 2016) GM: Reed Paladino	2511 State 157 Edwardsville, Illinois 62025	(618) 307-9723
1319 Central Park, L.L.C. (formed January 2005) GM: Nathan Lindquist	1319 Central Park Drive O'Fallon, Illinois 62269	(618) 624-4200
12154 Rock Road, Inc. (formed June 1992) GM: Meagan Stoll	12154 St. Charles Rock Road Bridgeton, Missouri 63044	(314) 291-1606
950-952 South Highway, L.L.C. (formed September 2003) GM: Michael Wilshire	950 South Highway Drive Fenton, Missouri 63026	(636) 343-1900
3333 Ridgeway, Inc. (formed May 1999) GM: Chris Friedhoff	1636 Country Club Plaza Drive St. Charles, Missouri 63303	(636) 947-8833
4021 Union, L.L.C. (formed January 1997) GM: Keith Shamblin	4021 Union Road St. Louis, Missouri 63129	(314) 416-8516
Hotshots Wentzville, L.L.C. (formed January 2013) GM: Thomas Morgan	49 Wentzville Bluffs Drive Wentzville, Missouri 63385	(636) 887-2751

FRANCHISEES WHICH LEFT THE SYSTEM

(The list of franchisees which have transferred or been terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Application Date.) If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None.

EXHIBIT E
FINANCIAL STATEMENTS

HSF FRANCHISING, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023

HSF FRANCHISING, LLC

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2024 and 2023

CONTENTS

Financial Statements

PEAK
Audit & Accounting

INDEPENDENT AUDITORS' REPORT

To the Members of
HSF Franchising, LLC

Opinion

We have audited the financial statements of HSF Franchising, LLC, which comprise the balance sheets as of December 31, 2024, and the related statements of income and changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HSF Franchising, LLC as of December 31, 2024, and the results of its operations and its cash flows for the year 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 HSF Franchising, LLC and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HSF 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project'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 the Company's ability to continue as a going concern for a reasonable period of time.

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

Peak Audit & Accounting

St. Louis, Missouri
January 9, 2025

HSF FRANCHISING, LLC

BALANCE SHEETS

December 31,	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 198,476	$ 174,413
Accounts receivable	44,405	14,844
TOTAL CURRENT ASSETS	242,881	189,257
Due from affiliates, net	67,374	67,374
TOTAL ASSETS	$ 310,255	$ 256,631
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	-	-
Deferred revenue	-	-
TOTAL CURRENT LIABILITIES	$ -	$ -
MEMBERS' EQUITY	310,255	256,631
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 310,255	$ 256,631

HSF FRANCHISING, LLC

STATEMENTS OF INCOME AND CHANGES IN MEMBERS' EQUITY

Years Ended December 31,	2024	2023
REVENUE		
Franchise income	$ 506,852	$ 447,628
Rebate income	10,012	6,329
TOTAL REVENUES	516,864	453,957
EXPENSES		
Advertising	127,294	107,984
Audit fees	6,325	9,198
Bad debts	14,844	-
Bank charges	104	727
Consulting fees	59,340	75,750
Franchise training	16,107	8,499
Insurance expense	3,327	3,105
Legal fees	22,343	13,475
License and taxes	-	25,829
Supplies	247	222
Travel	8,036	578
Other expense	190	3,507
TOTAL EXPENSES	258,157	248,874
NET INCOME	258,707	205,083
MEMBERS' EQUITY - BEGINNING OF YEAR	256,631	295,110
Distributions to Members	(205,083)	(243,562)
MEMBERS' EQUITY - END OF YEAR	$ 310,255	$ 256,631

HSF FRANCHISING, LLC

STATEMENTS OF CASH FLOWS

Years Ended December 31,	2024	2023
OPERATING ACTIVITIES		
Net income	$ 258,707	$ 205,083
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in current assets:		
Accounts receivable	(29,561)	-
Due from affiliates	-	(10,418)
Increase (decrease) in current liabilities:		
Accounts payable	-	(1,763)
Deferred revenue	-	(45,000)
Net cash provided provided by operating activities	229,146	147,902
FINANCING ACTIVITIES		
Distributions to members	(205,083)	(243,562)
Net cash provided by (used in) financing activities	(205,083)	(243,562)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	24,063	(95,660)
BEGINNING CASH AND EQUIVALENTS	174,413	270,073
ENDING CASH AND EQUIVALENTS	$ 198,476	$ 174,413

HSF FRANCHISING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

1. HISTORY AND BUSINESS ACTIVITY

HSF Franchising, LLC (the "Company") is a Missouri Limited Liability Company primarily engaged to sell franchises of the Hotshots Bar and Grill in the Midwest area. The Members' liability is limited to their perspective member's capital plus any debt for which a personal guarantee has been given. Under the terms of the Limited Liability Company Membership Agreement, the Company's existence is perpetual or terminates sooner as provided for in the membership agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Company follows accounting principles generally accepted in the United States of America. Accordingly, it utilizes the accrual method of accounting, which records revenue when earned and expenses when incurred.

Cash and cash equivalents

The Company, on occasion, maintains cash deposits with a bank that includes funds greater than the federally insured limit. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk related to cash.

Accounts receivable

The Company follows the practice of writing off uncollectible accounts as they are incurred. There is no allowance for uncollectible accounts reflected in the balance sheets. The Company's management has determined that no allowance is necessary. Accounts receivable are advertising and royalty fees included in franchise income on the income statement that have been earned but not collected.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2024 and 2023 was $127,294 and $107,984, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates and assumptions

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 disclosures 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.

Income taxes

At December 31, 2024 and 2023, the Company is a limited liability company, and taxed as a partnership. Accordingly, no Federal or State income taxes are payable by the Company and none have been provided for in the accompanying financial statements. The members will include their respective share of the Company's income or loss on their respective income tax returns.

Management has concluded that as a pass-through entity, there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analysis of tax laws, regulations and interpretations thereof as well as other factors.

Subsequent events

The Company has evaluated subsequent events through January 10, 2025, the date on which the financial statements were available to be issued.

3. RELATED PARTY TRANSACTIONS

The related party receivables are noninterest bearing, receivable/payable on demand. The related party amounts were netted and reported as other assets on the financial statements.

The Due From (To) Affiliates at December 31, 2024 and 2023 consists of:

	2024	2023
Due from Hotshots - Corporate	$ 60,418	$ 60,418
Due From Hotshots - Edwardsville	10,000	10,000
Due From Hotshots - Bridgeton	10,000	10,000
Due to Hotshots, Inc	(13,044)	(13,044)
Due from Affiliates, Net	$ 67,374	$ 67,374

4. REVENUE RECOGNITION

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee ranging from $25,000 to $45,000 and continuing fees based upon a percentage of the franchisee's sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales and servicing of franchise agreements are charged to operating expenses as incurred. The Company also generates revenues from franchisees from advertising fees up to 2% and royalty fees of between 4% and 6% of gross sales from the preceding month.

The Company's sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer independently for both the initial non-refundable fee and continuing fees based on a percentage of sales.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection, training, systems implementation, and design of a quality control program.

The Company recognizes initial fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. However, when revenue from initial fees is collectible over an extended period of time, and the ability to collect is not reasonably assured, revenue is recognized using the installment method as fees are collected. Continuing fees are recognized as earned, with an appropriate provision for estimated uncollectible amounts charged to operating expense. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

5. CONCENTRATIONS

As of December 31, 2024, HSF Franchising, LLC had seven franchisees in total. Therefore, each franchisee made up more than 10% of total revenue for the years ended December 31, 2024 and 2023. The current franchise agreements in place are set to expire on dates through 2034.

HSF FRANCHISING, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

HSF FRANCHISING, LLC

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2023 and 2022

CONTENTS

Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Members of
HSF Franchising, LLC

Opinion

We have audited the financial statements of HSF Franchising, LLC, which comprise the balance sheets as of December 31, 2023, and the related statements of income and changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HSF Franchising, LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The financial statements of HSF Franchising, LLC as of December 31, 2022, were audited by other auditors whose report dated April 28, 2023, expressed an unqualified opinion on those statements.

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HSF 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project'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 the Company's ability to continue as a going concern for a reasonable period of time.

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

Peak Audit & Accounting

St. Louis, Missouri
January 5, 2024

HSF FRANCHISING, LLC

BALANCE SHEETS

December 31,		2023		2022
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**$**	**174,413**	$	270,073
Accounts receivable		**14,844**		14,844
TOTAL CURRENT ASSETS		**189,257**		284,917
Due from affiliates, net		**67,374**		56,956
TOTAL ASSETS	**$**	**256,631**	$	341,873
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES				
Accounts Payable		**-**		1,763
Deferred revenue		**-**		45,000
TOTAL CURRENT LIABILITIES	**$**	**-**	$	46,763
MEMBERS' EQUITY		**256,631**		295,110
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$**	**256,631**	$	341,873

HSF FRANCHISING, LLC

STATEMENTS OF INCOME AND CHANGES IN MEMBERS' EQUITY

Years Ended December 31,	**2023**	2022
REVENUE		
Franchise income	$ 447,628	$ 447,793
Rebate income	6,329	12,598
TOTAL REVENUES	453,957	460,391
EXPENSES		
Advertising	107,984	127,407
Audit fees	9,198	5,000
Bank charges	727	886
Consulting fees	75,750	77,500
Franchise training	8,499	-
Insurance expense	3,105	2,855
Legal fees	13,475	8,341
License and taxes	25,829	-
Supplies	222	664
Travel	578	754
Other expense	3,507	598
TOTAL EXPENSES	248,874	224,005
NET INCOME	205,083	236,386
MEMBERS' EQUITY - BEGINNING OF YEAR	295,110	268,323
Distributions to Members	(243,562)	(209,599)
MEMBERS' EQUITY - END OF YEAR	$ 256,631	$ 295,110

HSF FRANCHISING, LLC

STATEMENTS OF CASH FLOWS

Years Ended December 31,	**2023**	2022
OPERATING ACTIVITIES		
Net income	**$ 205,083**	$ 236,386
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in current assets:		
Accounts receivable	**-**	(2,575)
Due from affiliates	**(10,418)**	-
Increase (decrease) in current liabilities:		
Accounts payable	**(1,763)**	(4,895)
Deferred revenue	**(45,000)**	45,000
Net cash provided provided by operating activities	**147,902**	273,916
FINANCING ACTIVITIES		
Distributions to members	**(243,562)**	(209,599)
Net cash provided by (used in) financing activities	**(243,562)**	(209,599)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	**(95,660)**	64,317
BEGINNING CASH AND EQUIVALENTS	**270,073**	205,756
ENDING CASH AND EQUIVALENTS	**$ 174,413**	$ 270,073

HSF FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

---

1. HISTORY AND BUSINESS ACTIVITY

HSF Franchising, LLC (the "Company") is a Missouri Limited Liability Company primarily engaged to sell franchises of the Hotshots Bar and Grill in the Midwest area. The Members' liability is limited to their perspective member's capital plus any debt for which a personal guarantee has been given. Under the terms of the Limited Liability Company Membership Agreement, the Company's existence is perpetual or terminates sooner as provided for in the membership agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Company follows accounting principles generally accepted in the United States of America. Accordingly, it utilizes the accrual method of accounting, which records revenue when earned and expenses when incurred.

Cash and cash equivalents

The Company, on occasion, maintains cash deposits with a bank that includes funds greater than the federally insured limit. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk related to cash.

Accounts receivable

The Company follows the practice of writing off uncollectible accounts as they are incurred. There is no allowance for uncollectible accounts reflected in the balance sheets. The Company's management has determined that no allowance is necessary. Accounts receivable are advertising and royalty fees included in franchise income on the income statement that have been earned but not collected.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2023 and 2022 was $107,984 and $127,407, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates and assumptions

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 disclosures 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.

Income taxes

At December 31, 2023 and 2022, the Company is a limited liability company, and taxed as a partnership. Accordingly, no Federal or State income taxes are payable by the Company and none have been provided for in the accompanying financial statements. The members will include their respective share of the Company's income or loss on their respective income tax returns.

Management has concluded that as a pass-through entity, there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analysis of tax laws, regulations and interpretations thereof as well as other factors.

Subsequent events

The Company has evaluated subsequent events through January 5, 2024, the date on which the financial statements were available to be issued.

3. RELATED PARTY TRANSACTIONS

The related party receivables are noninterest bearing, receivable/payable on demand. The related party amounts were netted and reported as other assets on the financial statements.

The Due From (To) Affiliates at December 31, 2023 and 2022 consists of:

	2023	2022
Due from Hotshots - Corporate	$ 60,418	$ 50,000
Due From Hotshots - Edwardsville	10,000	10,000
Due From Hotshots - Bridgeton	10,000	10,000
Due to Hotshots, Inc	(13,044)	(13,044)
Due from Affiliates, Net	$ 67,374	$ 56,956

4. REVENUE RECOGNITION

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee ranging from $25,000 to $45,000 and continuing fees based upon a percentage of the franchisee's sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales and servicing of franchise agreements are charged to operating expenses as incurred. The Company also generates revenues from franchisees from advertising fees up to 2% and royalty fees of between 4% and 6% of gross sales from the preceding month.

The Company's sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer independently for both the initial non-refundable fee and continuing fees based on a percentage of sales.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including site selection, training, systems implementation, and design of a quality control program.

The Company recognizes initial fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of a store. However, when revenue from initial fees is collectible over an extended period of time, and the ability to collect is not reasonably assured, revenue is recognized using the installment method as fees are collected. Continuing fees are recognized as earned, with an appropriate provision for estimated uncollectible amounts charged to operating expense. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

As of December 31, 2022, The Company had not performed training or systems implementation, or designed the quality control program for a new franchisee that signed prior to year end. Therefore, the initial fee of $45,000 received from the new franchisee as of December 31, 2022 was recorded as deferred revenue.

5. CONCENTRATIONS

As of December 31, 2023, HSF Franchising, LLC had six franchisees in total. Therefore, each franchisee made up more than 10% of total revenue for the years ended December 31, 2023 and 2022. The current franchise agreements in place are set to expire on dates ranging from 2024 through 2032.

EXHIBIT F
LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

NOTE: SOME STATES REQUIRE THAT THE FRANCHISE BE REGISTERED WITH A STATE AGENCY. WE DO NOT OFFER OR SELL FRANCHISES IN ANY OF THOSE STATES UNLESS WE ARE REGISTERED, AND THE LISTING OF A STATE BELOW DOES NOT MEAN THAT WE ARE SO REGISTERED.

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21st Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner (Agent) North Dakota Securities Department	600 East Boulevard Avenue State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

EXHIBIT G
TABLE OF CONTENTS OF MANUAL

[SUBJECT TO CHANGE]

CONFIDENTIAL OPERATIONS MANUAL

Appendices:

5. Management 4-Week Training Outline
6. Kitchen Training
7. Bar Training
8. Server Training
9. Greeter Training
10. Sample Forms, Policies and Procedures
11. Sample Form of Employee Handbook
12. Sample HSF Franchising Bank ACH Form

EXHIBIT H
RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE (the "General Release") is made by the undersigned (hereinafter "Releasor(s)") for the benefit of HSF Franchising, LLC, a Missouri limited liability company (hereinafter, "Franchisor"), on this ____ day of _______________, 20______.

RECITALS:

WHEREAS, Releasor is a HSF Franchising, LLC franchisee and operates a Hotshots Sports Bar and Grill Restaurant (the "Franchised Business") pursuant to that certain franchise agreement dated _________________, 20_______, (the "Franchise Agreement");

WHEREAS, Releasor desires to renew its franchise with Franchisor or desires Franchisor's consent to ____ in connection with the Franchise Agreement; and

WHEREAS, certain states require certain changes be made to this General Release specific to such state.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, Releasor hereby agrees, covenants and promises as follows:

1. Releasor, on behalf of itself and each of the persons and entities described in Section 2 hereof, hereby absolutely and forever releases, remises and discharges Franchisor and each of the persons and entities described in Section 3 hereof, from any and all claims, demands, damages, liabilities, costs (including, but not limited to reasonable attorneys' fees, accounting fees or experts' fees, and the costs of litigation, arbitration or other proceedings), expenses, liens, losses, charges, audits, investigations, injunctions, orders, rulings, subpoenas, controversies, obligations, debts, loans, interest, dues, accounts, awards, reckonings, bonds, bills, covenants, promises, undertakings, variances, trespasses, judgments, executions, sums of money owed, arbitrations, suits, decisions, proceedings, verdicts entered, issued, made or rendered and causes of action of every kind and nature whatsoever, whether now known or unknown, suspected or unsuspected, which Releasor now has, owns or holds, or at any time heretofore ever had, owned or held, or could, shall or may hereafter have, own or hold, pertaining to, arising out of or in connection with the Franchise Agreement, any related agreements or the franchisor-franchisee relationship between Releasor and Franchisor. Notwithstanding the foregoing, if this General Release is entered into in conjunction with the renewal, assignment or transfer of the Franchise Agreement, the foregoing release shall not apply to any liability under applicable state law.

2. Releasor hereby understands and agrees that this General Release shall extend to and be binding upon any and all of Releasor's past, present and future officers, directors, owners, employees, representatives, agents, trustees, successors, affiliates and assigns, and their respective insurers and underwriters. If more than one party shall execute this General Release, the term "Releasor" shall mean and refer to each of the parties executing this General Release, and all such parties shall be bound by its terms, jointly and severally.

3. Releasor hereby understands and agrees that this General Release shall extend to and inure to the benefit of Franchisor and any and all of Franchisor's past, present and future officers, directors, owners, employees, representatives, agents, trustees, successors, affiliates and assigns, and their respective insurers and underwriters.

4. Releasor hereby understands and agrees that this General Release supersedes any prior agreement, oral or written, with respect to its subject matter. Releasor understands and agrees that no representations, warranties, agreements or covenants have been made by Franchisor with respect to this General Release, other than those expressly set forth herein, and that in executing this General Release, Releasor is not relying upon any representations, warranties, agreements or covenants not expressly set forth in this General Release.

5. This General Release may not be changed except in a writing signed by the person(s) against whose interest such change shall operate. This General Release and all acts and transaction under it shall in all respects be interpreted, enforced and governed by the internal laws of the state in which Franchisor's principal place of business is located without regard to principles of conflicts of law

6. If any provision of this General Release is found or declared invalid or unenforceable by any arbitrator, court or other competent authority having jurisdiction, such finding or declaration shall not invalidate any other provision hereof and this General Release shall thereafter continue in full force and effect except that such invalid or unenforceable provision, and (if necessary) other provisions hereof, shall be reformed by such arbitrator, court or other competent authority so as to effect insofar as is practicable, the intention of the parties set forth in this General Release, provided that if such arbitrator, court or other competent authority is unable or unwilling to effect such reformation, the invalid or unenforceable provision shall be deemed deleted to the same extent as if it had never existed.

7. Releasor hereby certifies that Releasor has read all of this General Release and fully understands all of the same, and that Releasor has executed this General Release only after having received full legal advice and disclosure as to Releasor's rights from legal counsel of Releasor's choice.

IN WITNESS WHEREOF, each Releasor party hereto has executed this General Release effective as the day and year first above written.

RELEASOR:

____

By: ________________________________
Name: ______________________________
Title: _______________________________

____

____

____

State Effective Dates

The following states 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
Illinois	Pending
Indiana	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.

EXHIBIT I
RECEIPT
(Your Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If HSF Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, if applicable, HSF Franchising, LLC must provide this disclosure document to you at the earlier of your 1st personal meeting to discuss the franchise or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan law, if applicable, HSF Franchising, LLC must provide this disclosure document to you at least 10 business days before you sign a binding agreement with, or make a payment to, HSF Franchising, LLC or an affiliate in connection with the proposed franchise sale. Under New York law, if applicable, HSF Franchising, LLC must provide this disclosure document to you at the earliest of your 1st personal meeting to discuss the franchise or 10 business days before you sign a binding agreement with, or make a payment to, HSF Franchising, LLC or an affiliate in connection with the proposed franchise sale.

If HSF Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit F.

The name, principal business address and telephone number of each franchise seller offering the franchise: Jason Durnett, HSF Franchising, LLC, at 1512 Pearce Blvd., Wentzville, Missouri 63685, 636-856-9072 and ____.

Issuance Date: April 30, 2025

I have received a disclosure document dated April 30, 2025, that included the following Exhibits:

A. Franchise Agreement
B. MUD Agreement
C. State Specific Addenda
D. List of Franchisees
E. Financial Statements
F. List of State Agencies/Agents for Service of Process
G. Table of Contents of Manual
H. Release
I. Receipt

______________________________ ______________________________
Date

By: ______________________________
Its: ______________________________

Please keep this copy of the Receipt for your records.

RECEIPT
(Our Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If HSF Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, if applicable, HSF Franchising, LLC must provide this disclosure document to you at the earlier of your 1st personal meeting to discuss the franchise or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan law, if applicable, HSF Franchising, LLC must provide this disclosure document to you at least 10 business days before you sign a binding agreement with, or make a payment to, HSF Franchising, LLC or an affiliate in connection with the proposed franchise sale. Under New York law, if applicable, HSF Franchising, LLC must provide this disclosure document to you at the earliest of your 1st personal meeting to discuss the franchise or 10 business days before you sign a binding agreement with, or make a payment to, HSF Franchising, LLC or an affiliate in connection with the proposed franchise sale.

If HSF Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit F.

The name, principal business address and telephone number of each franchise seller offering the franchise: Jason Durnett, HSF Franchising, LLC, at 1512 Pearce Blvd., Wentzville, Missouri 63685, 636-856-9072 and ____.

Issuance Date: April 30, 2025

I have received a disclosure document dated April 30, 2025, that included the following Exhibits:

A. Franchise Agreement
B. MUD Agreement
C. State Specific Addenda
D. List of Franchisees
E. Financial Statements
F. List of State Agencies/Agents for Service of Process
G. Table of Contents of Manual
H. Release
I. Receipt

____________________________________ ____________________________________
Date

By: ____________________________________
Its: ____________________________________

Please sign this copy of the Receipt, date your signature and return it to Jason Durnett, HSF Franchising, LLC, at 512 Pearce Blvd., Wentzville, Missouri 63685, 636-856-9072.