

FRANCHISE DISCLOSURE DOCUMENT



5 Tacos and Beers Franchising, LLC,
A California Limited Liability Company
1175 Solano Ave.
Albany, CA 94706
510-898-1829
lito@5tacos.com
www.5tacos.com

As a franchisee you will operate a business under the name "5 Tacos & Beers" where you will offer tacos with locally produced ingredients and craft beers.

The total investment necessary to begin operation of a 5 Tacos & Beers franchise is \$764,500 to \$1,527,000. This includes \$30,000 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation under a 5 Tacos & Beers Area Development Agreement is \$824,500 to \$1,587,000. This includes \$90,000 that must be paid to the franchisor or affiliate. You are required to purchase a minimum of three 5 Tacos and Beers units that you are required to develop under an Area Development Agreement.

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 Lito Saldana at 1175 Solano Ave., Albany, CA 94706 and 510-898-1829.

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

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

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

ISSUANCE DATE: October 10, 2023

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
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 C 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 5 Tacos & Beers 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 5 Tacos & Beers 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 Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General
G. Mennen Williams Building, 7th Floor
525 W. Ottawa Street
Lansing, Michigan 48909
Telephone Number: (517) 373 7117

**Franchise Disclosure Document
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ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, the words “**we**,” “**our**” and “**us**”, and “5 Tacos & Beers” refer to 5 Tacos and Beers Franchising, LLC, the franchisor. “**You**” means the entity that has been granted the right to develop one or more 5 Tacos & Beers franchised businesses.

The Franchisor; Parents and Predecessors

We are a limited liability company established under California law on June 16, 2022. Our principal business address is 1175 Solano Ave., Albany, CA 94706. We conduct business under our corporate name and 5 Tacos & Beers. We have offered franchises since June 2023. We have no parents or predecessors.

Other than as stated above, we are not in any other business, we have not conducted business in any other line of business, and we have not offered or sold franchises in any other line of business.

Our Affiliates

We do not have any affiliates that offer franchises in any line of business.

Our affiliate, 5 Tacos & Beers Inc., is a California corporation incorporated on September 12, 2019 with a principal business address at 1175 Solano Avenue, Albany, CA 94706.

Our affiliate, 5 Tacos & Beers of Walnut Creek, Inc., is a California corporation incorporated on May 21, 2020 with a principal business address at 1352 Locust Street, Walnut Creek, CA 94596.

Our affiliate, 5 Tacos & Beers Berkley, Inc., is a California corporation incorporated on June 1, 2022 with a principal business address at 2914 College Avenue, Berkeley, CA 94705.

Our affiliate, Los Moles El Cerrito, Inc., is a California corporation incorporated on January 1, 2017. Los Moles El Cerrito, Inc.’s principal business address is 6120 Potrero Avenue, El Cerrito, CA 94530. Los Moles El Cerrito, Inc. is the registered owner for several trademarks in use by our franchisees.

Our Agent for Service of Process

Our agent for service of process is disclosed at the end of this Disclosure Document in Exhibit D.

Our Business Operations

We offer and grant qualified candidates the right to develop and operate businesses using our uniform and proprietary operating system and identified by the 5 Tacos & Beers trade name and service mark, and other trade names, service marks, trademarks, logos and commercial symbols that we may designate from time to time. We do not operate businesses of the type being franchised, but our affiliate does.

General Description of the Franchise

Single Unit Offering

You will develop and operate one or more franchised businesses with the right to use our marks and our system, including operational guidelines, opening guidelines, our specifications for business design and proprietary information, our initial and ongoing training programs and marketing and promotional assistance. Our standards, guidelines, and specifications are outlined in our confidential manual (the “**Manual**”) and otherwise in writing from time to time. You will own the underlying assets of the business; those assets will be operated by you, as our franchisee, under a license from us. The franchise described is known as (“5 Tacos and Beers”). 5 Tacos and Beers is involved in the business of serving

and offering locally sourced produce, grass-fed beef and pork, and craft beer beverages in a sit-down, brick-and-mortar restaurant setting.

You may enter into a Franchise Agreement that lays out your rights and obligations in the operation of each franchised business (the “**Franchise Agreement**”). A copy of our current Franchise Agreement is attached as Exhibit A. If you enter into a Franchise Agreement, as a franchisee, you will be required to develop, establish and operate a franchised business in accordance with the requirements of our System. Your rights under the Franchise Agreement will be limited to the establishment and operation of one franchised business, providing only our approved services and products in conformity with our System and within your designated Territory. Each Franchise Agreement will be between you and us, and each of your owners will guarantee your obligations to us.

Area Development Offering

We also offer qualified individuals the right to open and operate multiple locations within a defined geographical area (the “Development Area”) by: (i) executing our current form of Area Development Agreement (the “Area Development Agreement”) attached as Attachment D to the Franchise Agreement (Exhibit A to this Disclosure Document); and (ii) paying our then-current development fee upon execution of your Area Development Agreement, which will depend on the number of locations you agree to open (the “Development Fee”).

You will be required to enter into our then-current form of franchise agreement for each of the locations you are required to open under the Area Development Agreement (which may contain materially different provisions than the one offered under this Disclosure Document), and you must execute the Franchise Agreement for your initial location contemporaneously with the execution of your Area Development Agreement. You must then ensure that you open and commence operations of each additional location in the Development Area in accordance with a development schedule set forth in your Area Development Agreement (the “Development Schedule”).

Market and Competition

The general market for Mexican restaurants offering fresh and locally sourced produce is not limited to any particular group of people and is highly developed and extremely competitive. Sales are not typically seasonal.

You will compete with other Mexican restaurants that offer locally sourced produce and grass-fed beef and pork, and other similar food and beverage products, some who are well established, including independent, national, and Franchised Restaurants and other similar outlets in your area.

Regulations

There are state and local laws, regulations and ordinances applicable to the operation and management of a restaurant. You should consider these and other applicable laws and regulations when evaluating your purchase of a franchise. Under the Franchise Agreement, you are solely responsible for understanding and complying with the particular laws of your state as they pertain to a 5 Tacos and Beers business and general businesses. We advise that you consult with an attorney to ensure compliance with all relevant laws.

Your Restaurant will be subject to laws and regulations in your state, county, or municipality regarding the operation of a restaurant, including laws and regulations relating to the preparation and dispensation of food products, occupational hazards and health laws, sanitation laws, and consumer protection laws.

You will also be subject to laws or regulations that are not specific to the restaurant industry, but applicable to businesses in general, including zoning laws, labor laws and the Fair Labor Standards Act, workers’ compensation laws, business licensing laws, tax regulations, and the Americans with Disabilities Act.

We have not investigated the laws or regulations applicable to your Restaurant. You are solely responsible for investigating all applicable federal, state, and local laws and regulations, and your cost to comply with

such laws and regulations, and you should do so before purchasing a franchise from us. We strongly suggest that you consult with an attorney, consultant and/or financial advisor regarding such regulations prior to purchasing a franchise from us. Applicable laws and regulations are subject to change.

Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your Franchised Restaurant, including those that (i) establish general standards, specifications and requirements for the construction, design and maintenance of restaurant premises; (ii) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, cooking and preparation of food and beverages; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (iii) set standards pertaining to employee health and safety; (iv) set standards and requirements for fire safety and general emergency preparedness; (v) govern the use of vending machines; (vi) control the sale of alcoholic beverages; and (vii) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Franchised Restaurant and should consider both their effect and cost of compliance.

5 Tacos and Beers serve craft beer and wine. State alcoholic beverage regulatory authorities administer and enforce laws and regulations that govern the sale of alcoholic beverages. You are required to use your best efforts to obtain a beer and wine license for your Franchised Restaurant. You must comply with all applicable laws, rules and regulations in your state and locality related to the sale of alcoholic beverages at your Franchised Restaurant.

In addition, you must comply with all local, state, and federal laws that apply to your Franchised Restaurant including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws, including all requirements set forth in the Alcoholic Beverage Control Act and in the California Code of Regulations, Title 4 with regard to the sale of alcoholic beverages. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled people and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, etc. You must obtain all required real estate permits, licenses and operational licenses. You must also comply with all menu and menu board labeling laws and rules requiring restaurant operators to disclose certain calorie or other nutritional information about the foods they sell, including, for example, the FDA's Nutrition Labeling of Standard Menu Items in Restaurants and Similar Food Establishments Rule. California law requires each food facility that meets specified criteria (which cover franchised outlets with at least 19 other franchised outlets with the same name among certain other food facilities) to provide nutritional information that includes, per standard menu item, the total number of calories, grams of saturated fat, grams of trans fat, and milligrams of sodium and to have menu boards to include the total number of calories. In California, local county health departments inspect restaurants and other retail food facilities to ensure compliance with safe food handling practices and adequacy of kitchen facilities. Other states and cities may have laws similar to these California laws.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in restaurants. While NLEA specifies a number of exemptions for restaurants, there are many instances where a nutritional label is required. The Food and Drug Administration's Nutritional Labeling Guide for Restaurants and Other Retail Establishments provides answers to commonly asked questions regarding the application of NLEA. The Health Care Reform Bills that became law in March 2010 additionally contain provisions that require disclosure of nutrition and calorie information in chains of more than 20 restaurants.

ITEM 2. BUSINESS EXPERIENCE

Member: Lito Saldana

Lito Saldana has served as our Member since our inception. Concurrently, Lito has served as Chef and owner of Los Moles in Emeryville, CA since June 2012. Lito has also served as Chef and Owner of 5 Tacos and Beers in Albany, CA since June 2020.

Member: Lourdes Rodriguez

Lourdes Rodriguez has served as our Member since our inception. Concurrently, Lourdes Rodriguez has served as President of Los Moles in Emeryville, CA since June 2012. Lourdes has also served as President of 5 Tacos and Beers in Albany, CA since June 2020.

Member: Edgar Saldana

Edgar Saldana has served as our Member since our inception. Concurrently, Edgar Saldana has served as Owner of Los Moles in Emeryville, CA since July 2012. Concurrently, Edgar has also served as Manager of 5 Tacos and Beers in Albany, CA since June 2020

Member: Tania Saldana Rodriguez

Tania Saldana Rodriguez has served as our Member since our inception. Concurrently, Tania has served as Owner of Los Moles Emeryville in Emeryville, CA since June 2012. Tania has also served as Owner of 5 Tacos and Beers in Albany, CA since June 2020. Tania has also served as Owner of Los Moles El Cerrito in EL Cerrito, CA since September 2017.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Initial Franchise Fee

You must pay us an Initial Franchise Fee of \$30,000 (the “**Franchise Fee**”) in lump sum once you sign the Franchise Agreement. The Initial Franchise Fee is uniform, fully earned when paid and is non-refundable under any circumstances.

Development Fee

You may also purchase the rights to open additional 5 Tacos and Beers franchises by signing our Area Development Agreement and paying a development fee (“**Development Fee**”). The Development Fee is in lieu of the Franchise Fee.

Your Development Fee will depend on the number of Franchised Locations we grant you the right to open within the Development Area and is calculated as follows: you must pay the Initial Franchise Fee of \$30,000 for your first 5 Tacos and Beers franchise and for each additional franchised location after your first franchised location, it will be an additional \$30,000 for each additional 5 Tacos and Beers to be developed pursuant to the terms of the Area Development Agreement. The Development Fee is fully earned when paid and is non-refundable under any circumstances. If you enter into an Area Development Agreement with us you will be required to pay the full amount for the first 5 Tacos and Beers franchise (i.e. \$30,000) and 50% of the Area Development fee at the time of execution of the Area Development Agreement. The remaining 50% of the Area Development fee will be due in full at the time of execution of each subsequent franchise agreement pursuant with the timeline under the Area Development Agreement.

ITEM 6. OTHER FEES

Type of Fee ¹	Amount	Due Date	Remarks
Royalty Fee	(i) No Royalty Fee for your first six months of operation. (ii) 5% of Gross Sales ² from your seventh month of operation until the end of the term.	Remitted weekly by ACH ³ draft on Tuesdays.	Payable by electronic funds transfer or other method we specify.
National Marketing Contribution	0.5% of your Gross Sales ²	Same as Royalty. ³	More information about national marketing fund is contained in Item 11.
Local Advertising	1.5% of your Gross Sales ²	As incurred.	You must provide us with a monthly accounting of these expenditures which must meet our standards and specifications and will be subject to our approval.
Co-op Contributions	As determined by the Co-op, not to exceed 1% of your Gross Sales ²	As determined by Co-op.	If established in your geographic area, you must join and actively participate. Your local advertising requirement will be reduced by the amount of the Co-op Contribution.
Additional Training ⁴	Our then-current fee, currently \$1,000 per week, plus expenses	As incurred.	More information about training is contained in Item 11.
Annual Conference	Varies, no more than \$2,500	On Demand, prior to conference.	At no time shall the fee charged exceed \$2,500.
Franchise Transfer Fee ⁵	\$10,000	Prior to transfer	More information about transferring your franchise is contained in Item 17.
Late fees and interest charges on late payments	The lesser of 18% of the amount due or the maximum rate allowed by law.	On demand.	Applies to any and all past due payments to Franchisor.
Insufficient Funds Fee	5% or \$50, whichever is greater, or maximum fee allowed by law.	On demand	Applies to any and all payments due to Franchisor.
Audit fee	Understated amounts, plus interest, plus amount of audit fees and related expenses	Within 15 days after receiving the examination report	Due if you fail to furnish and reports we require or understate your Gross Sales by more than 3%.
Interest	Lower of 1.5% per month or the highest commercial interest rate allowed by law	As incurred	Due on all overdue amounts and accruing as of the original due date.
Indemnification ⁶	Will vary under circumstances	As incurred	You must indemnify us when your actions result in loss or damages to us

			under the Franchise Agreement.
Renewal Fee ⁷	\$10,000	Due upon signing renewal Franchise Agreement	More information about renewing your franchise is contained in Item 17.
Supplier Review Fee	\$500	Upon requesting approval of a new supplier, material or service	You must pay us this amount if you request our review of an alternative supplier.

1. Except as otherwise noted, all amounts are nonrefundable and are uniformly imposed by and payable to us.

2. "Gross Sales" means all revenue that you receive, directly or indirectly, from operating your Business, including all amounts or other consideration you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions. Gross Sales includes the proceeds of any business interruption insurance or similar insurance. Gross Sales will also include amounts you earn from the sale of any online group-bought deals and the sale of any gift cards or gift certificates, in each case calculated using our then current guidelines, which may be based on the redeemed value or sale price of the deals, cards or certificates. Gross Sales does not, however, include any federal, state, or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority. We will require that you provide your profit and loss statements to us on a monthly basis for our review in a manner that we prescribe.

3. Unless otherwise restricted by applicable banking laws and regulations, we will establish a direct debit program with your bank to allow for the ACH draft of the weekly royalty. You will be required to execute any necessary documents authorizing the ACH draft. We will automatically debit your bank account each Tuesday morning for the previous week's royalties and national marketing contributions. For all fees to be remitted on a national holiday, fees will be due the following business day.

4. You will pay us an additional training fee (1) if we determine that you (or your Operating Partner) need training or assistance in addition to what is provided as part of the Training Program, (2) you request additional training or assistance for any person other than as provided as part of the Training Program, and/or (3) we require additional training for any other employee of yours who fails to perform services at your Business to our satisfaction.

5. All transfers must be in accordance with the terms and conditions of the Franchise Agreement and are subject to our prior approval.

6. You must indemnify us from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement that arises out of or is based upon any of the items listed in the sections of the Franchise Agreement entitled "Indemnification." You must also pay for our legal expenses (fees and actual costs) incurred in any matter related to your franchised business and for any damages, costs, and expenses that we incur enforcing any of the provisions of the Franchise Agreement or as a result of your failure to pay amounts when due.

7. You will be required to pay a nonrefundable renewal fee upon the expiration of the initial term of the Franchise Agreement if you are eligible and elect to renew the Franchise Agreement.

ITEM 7. ESTIMATED INITIAL INVESTMENT

A. Franchise Agreement**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount	Method of Payment¹	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$30,000	Lump Sum	Upon execution of Franchise Agreement	Us
Lease Deposit and Payment ²	\$12,000 - \$30,000	Lump Sum	Lease signing	Landlord
Utility Deposits ³	\$2,000 - \$3,000	As arranged	Prior to commencing operations	Utilities
Initial Inventory ⁴	\$15,000 - \$30,000	As arranged	Prior to commencing operations	Vendors
Furniture, Fixtures, & Equipment ⁵	\$75,000 - \$150,000	As arranged	Prior to commencing operations	Vendors
Architecture Fee	\$25,000 - \$50,000	As arranged	Prior to commencing operations	Vendors
Leasehold Improvements/ Buildout ⁶	\$350,000 - \$700,000	As arranged	As incurred	Vendors
Signage ⁷	\$5,000 - \$15,000	Lump Sum	Prior to commencing operations	Vendors
Grand Opening Advertising ⁸	\$5,000.00	In accordance with your initial marketing plan approved by us	Prior to commencing operations	Vendors
Computer Hardware and Software	\$3,500 - \$7,000	As arranged	Prior to commencing operations	Vendors
Insurance ⁹	\$5,000 - \$7,000	As arranged	Varies	Insurance Company
Permits and Licenses ¹⁰	\$25,000 - \$70,000	As incurred	Prior to commencing operations	Government Authorities
Accounting and Legal Fees	\$2,000 - \$5,000	As arranged	As incurred	Professionals
Travel and living expenses while training ¹¹	\$10,000 - \$25,000	As arranged	Prior to commencing operations	Hotels, Airlines, etc.
Additional Funds – 3 months ¹²	\$200,000 - \$400,000	As incurred	As incurred	Vendors, employees, Utilities, etc.
TOTAL¹³	\$764,500 - \$1,527,000			

Explanatory Notes:

1. Except as otherwise provided, none of the amounts payable to us or our affiliates in this table are refundable under any circumstances. All amounts payable to third parties will be paid pursuant to the terms of your agreement with those respective third parties.
2. Your landlord may require a lease deposit and will typically require monthly rent in advance. Rent will vary depending upon the location of the premises and other related factors. The prepaid rent is usually nonrefundable, but that will ultimately be determined by the terms of the lease. The improved space for a new franchised business is between 2,500 to 5,000 square feet. We anticipate that you will rent the location's premises. It is possible, however, that you will choose to buy, rather than rent, real estate on which a building suitable for the Restaurant already is constructed or could be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying.
3. Most utilities, such as local water, sewer, gas, electric and telephone companies, require deposits prior to initial services.
4. The initial inventory requirements will include a week worth of initial food inventory and other supplies such as napkins, to-go boxes, etc. Due to differences in local laws, prices, suppliers, geography and commercial practices, you may elect to carry a larger inventory. The cost of your opening supplies and inventory will depend on the brands purchased, local costs and other factors.
5. This estimate includes the cost of purchasing kitchen equipment, tables, chairs, and furniture. These items may also be leased from providers at a lower cost. The estimated costs include purchase price, delivery and installation.
6. Leasehold improvement costs, including floor covering, wall treatment, counters, ceilings, painting, window coverings, electrical, carpentry, and similar work. architect's and contractor's fees depend on various factors, including: (i) the site's condition, location, and size; (ii) the demand for the site among prospective lessees; (iii) the site's previous use; the build-out required to conform the site for your location; and (iv) any construction or other allowances the landlord grants. The lower figures provided here under "Leasehold Improvements" assume that you remodel an existing building that has previously been utilized as a restaurant. Construction of a new building on a pad site or otherwise likely would require a greater initial investment, the amount of which would depend on market conditions.
7. The business is generally outfitted with a sign which must be approved by us. The estimated costs represent manufacture and installation.
8. You are required to spend at least \$5,000 in the four weeks before and the four weeks after the opening date. See Item 11 for more information regarding grand opening advertising.
9. You must obtain and maintain on a primary and non-contributory basis at least a commercial general liability policy, commercial automobile liability policy, commercial property liability policy, workers' compensation/employer's liability policy, umbrella liability policy, employment practices liability policy, and cyber and privacy policy. See Item 8 for more information regarding your insurance requirements.
10. This amount reflects the estimated fees you will pay to apply for various permits and licenses, such as building permits, sales tax permits, incorporation fees, fire inspection fees and health department inspection fees. The application and fees required will depend upon the regulations of the governing agencies in your area. A beer and wine license is required, however a liquor license is optional. If you choose to acquire a liquor license, it will cost an additional \$20,000 as included in the upper range limits.
11. These expenses include the cost of transportation, meals, accommodations, and similar expenses associated with the attendance of 2 people at the required initial training. More information regarding initial training can be found in Item 11 of this Disclosure Document.
12. This is an estimate of anticipated working capital that will be required during the first 3 months of operating your franchised business. This is only an estimate and we cannot assure you that you will not incur additional expenses during the period. Our estimates do not include salary or compensation to you as the owner and operator of your franchised business and, accordingly you must account for personal funds that you will require. We have relied on the experience of our affiliate owned locations in making this estimate.
13. We are unable to calculate the exact investment required of each franchisee due to many factors that influence the total project costs. We based these estimates on our affiliates' and officers' experience. The actual amount of your investment will vary based on location, real estate costs, local economy,

location size, available real estate financing or investor capital and many other factors. These totals do not include the cost of purchasing real estate for the business. Except as described in Note 1 or as negotiated with a third-party vendor, all amounts are nonrefundable.

B. Area Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT¹

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee ²	\$90,000	Lump Sum	Upon execution of Area Development Agreement	Us
Initial Investment to Open Initial Location ³	\$734,500 - \$1,497,000	See Chart A of this Item 7.		
TOTALS	\$824,500 - \$1,587,000	This is the total estimated initial investment to enter into a Area Development Agreement for the right to own a total of three (3) locations, as well as the costs to open and commence operating your initial location for the first three months (as described more fully in Table A of this Item 7). See Note 3.		

Explanatory Notes:

1. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This chart details the estimated initial investment associated with executing an Area Development Agreement for the right to own and operate three (3) Locations, as well as the initial investment to open your first Location under your Development Schedule.
2. The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate a total of three (3) Locations. If you choose to open more than three (3) Locations, your Development Fee will be calculated as follows: (i) \$90,000 for the right to open and operate three (3) 5 Tacos and Beers businesses (i.e. \$30,000 for the first location plus \$60,000 development fee for the second and third 5 Tacos and Beers locations), plus an additional \$30,000 for the right to open and operate each additional 5 Tacos and Beers business thereafter.
3. This figure represents the total estimated initial investment required to open the initial Location you agreed to open and operate under the Area Development Agreement. You will be required to enter into our then-current form of franchise agreement for the initial Location you open under your Area Development Agreement. The range includes all the items outlined in Table A of this Item 7, except for the Initial Franchise Fee because it is accounted for in the Development Fee. It does not include any of the costs you will incur in opening any additional Location(s) that you are granted the right to open and operate under your Area Development Agreement.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and Source

You must buy the equipment and license the software for the required POS system from our current designated supplier, Toast. You are required to enter into a contract with Toast, our only approved vendor for point-of-sale data transmission service which facilitates the processing of credit cards and with one of our two approved vendors for payment card industry compliance. You are also required to purchase and license software from Toast for accounting, payroll, recruiting, and hiring services. You

must purchase and license employee scheduling software from 7shifts and reservations software from Toast as well. We reserve the right to change vendors throughout the duration of your term.

In addition to proprietary items, you must purchase or lease certain products or services required for your franchised business from suppliers and distributors designated and approved by us. We will provide a written list of approved suppliers for services, furniture, fixtures, leasehold improvements, signs, point of sale systems, computer hardware, computer software, and computer services. We will notify you of any additions to or deletions from this list and will provide you with written standards and specifications for your franchised business, your equipment, supplies, inventory and tools, the computer and POS systems, and insurance. We reserve the right, in our sole discretion, to designate and require you to use a single supplier for any services, products, equipment, supplies, or materials.

We reserve the right to require you to purchase additional items from designated sources in the future. We designate these requirements in the Manual. We and our affiliates are currently not the only approved supplier of any required products or services. None of our officers own any interest in any of our approved or designated suppliers.

We estimate that your purchases from our approved suppliers will represent approximately 40% to 50% of your total purchases in establishing your franchised business and approximately 40% to 50% of your ongoing operating purchases.

We do not allow you to contract with any other vendor or supplier in satisfying your mandatory and ongoing purchases of proprietary products. This is regardless of an alternative supplier's ability to produce proprietary products of a similar quality at a competitive price. Except as described in this Item 8, there are no other requirements for you to purchase or lease in accordance with specifications or from approved suppliers.

Purchases by Specification

To ensure that our standards and specifications of quality and service are maintained, and that, at all times, your franchised business maintains a uniform and professional appearance, you must operate your franchised business in strict conformity with the methods, standards, specifications and sources of supply that we designate and prescribe in our Manual. This requirement applies to equipment, supplies, signage, uniforms, the interior décor, advertising and marketing materials and services, inventory and other items.

Specifications may include minimum standards for quality, quantity, delivery, performance, design, appearance, durability, style, warranties, price range and other related specifications. We consider these specifications to be of critical importance to the success of the system. The Manual sets forth these specifications and we will make available to you a list of approved suppliers. We reserve the right to change the standards and specifications from time to time on written notice to you or as may be specified by the Manual.

Product Approval Process

If you want to purchase or lease any supplies, materials, tools, products or services not previously approved in writing by us as acceptable or from a supplier not approved by us, you can request our approval in writing, at your sole expense. You may need to submit, among other things, sufficient samples, specifications, photographs, drawings and other related information in order for us to determine whether the items meet our specifications and certain information about this proposed supplier. We may charge you or the supplier a fee to cover our costs to test its product for approval.

When considering and evaluating the approval of a particular supplier, among other things, we apply the following general criteria: ability to produce the products, services, supplies or equipment to meet both our standards and specifications for quality and uniformity and the customers' expectations; production

and delivery capabilities and ability to meet supply commitments; financial stability; and the negotiation of a mutually satisfactory approved vendor or supplier agreement, copyright assignment and confidentiality agreement in a form satisfactory to us. This criteria is made available to our franchisees.

You must pay us a \$500 fee upon submission of a product or supplier for our consideration. We will advise you within a reasonable time (in no event longer than 60 days after receipt of all applicable information required for approval) whether the proposed items and supplier(s) meet our specifications, and our approval will not be unreasonably withheld. The approval time may vary if we determine, in our independent judgment, that additional testing is needed. We will notify you in writing of our approval or disapproval and of revocation of approved suppliers. Suppliers must maintain our standards in accordance with written specifications and any modifications. If a supplier deviates from our specifications, we may terminate the supplier's status as an approved supplier.

Revenue Received from Purchases or Leases

During our fiscal year ending December 31, 2022, we did not receive any revenue from franchisee purchases, however we reserve the right in the future to receive revenue from rebates and franchisee required purchases. These revenues may be received as part of the vendor program described below.

Vendor Purchase Arrangements

We may negotiate purchase arrangements with manufacturers and suppliers (including pricing terms) for the benefit of all 5 Tacos and Beers franchises in the System. There are currently no purchasing or distribution cooperatives for the System.

We may, from time to time, receive rebates from Approved Suppliers based on the aggregate volume of items ordered. You will not be entitled to receive any portion of these rebates. We do not currently receive rebates based on purchases by franchisees. In addition, we may negotiate certain arrangements (including price terms) for the purchase of certain items, such as logoed products with suppliers. We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers. There are currently no purchasing or distribution cooperatives for the System. For the fiscal year ending December 31, 2022, we derived no revenue in the form of rebates from manufacturers or vendors as a result of required purchases by franchisees.

Insurance

You will be required to procure and maintain insurance in the amounts we prescribe. You agree to provide us with proof of coverage on demand.

All insurance policies, except your workers compensation and commercial property liability policies, must contain, or be endorsed to contain, a provision naming us and our related entities as an additional insured. Specifically, with respect to liability arising from your premises, operations, products, and completed operations, the general liability policy should include an additional insured – grantor of franchise endorsement.

All required insurance policies, except for your Workers' Compensation policy, must be written by insurance companies with a rating of A-VIII (eight) or better in the most recent A.M. Best's Insurance Report (or other comparable publication we specify). Workers' Compensation policies can be issued by insurance companies with a policyholder rating of B plus (B+) or better. Insurance coverage requirements are more specifically set forth in the Manual and are subject to change from time to time. We may require that you obtain all or a portion of your insurance policies from a supplier designated by us.

Gift Cards, Loyalty, CRM, Social Media Software, Online and Mobile Ordering Programs

You may not create or issue any gift certificates or gift cards and may only sell gift certificates or gift cards that have been issued by us that are accepted at all locations. You must participate in all gift certificate and/or gift card administration programs as we may designate from time to time. You must honor all coupons, gift certificates, gift cards and other programs or promotions we direct. You must fully participate in all guest loyalty or frequent customer programs now or in the future adopted or approved by us. You must not issue coupons or discounts of any type for use at your Franchised Location except as approved by us in writing. In addition, you must purchase, enroll in or subscribe to, as applicable, all CRM, social media analytics and online and mobile ordering software or programs that we designate. We may change the designated suppliers of these or similar services in our discretion. You must change, purchase or subscribe to the additional programs or software, as applicable, after we give you notice to do so.

ITEM 9. FRANCHISEE'S OBLIGATIONS

This table lists Your principal obligations under the Franchise Agreement and other agreements. It will help You find more detailed information about Your obligations in these agreements and in other items of this Disclosure Document.

FRANCHISEE'S OBLIGATIONS

Obligation	Section in agreement	Disclosure Document Item
a. Site selection and acquisition/lease	§9.1	Items 6 and 11
b. Pre-opening purchases/leases	§11.20	Item 8
c. Site development and other pre-opening requirements	§§9.1, 10.1, 11	Items 6, 7, 11
d. Initial and ongoing training	§§10.2, 10.3, 10.5	Item 11
e. Opening	§9.2	Item 11
f. Fees	§§5, 6, 7, 8.1, 8.2, 8.3	Items 5, 6, 7 and 11
g. Compliance with standards and policies/operating manual	§§10.6, 11	Item 11
h. Trademarks and proprietary information	§§4, 10.2, 11.15, 11.16	Items 13 and 14
i. Restrictions on products/services offered	§11.3	Items 8 and 16
j. Warranty and customer service requirements	§11.3	Item 16
k. Territorial development and sales quotas	§2.2	Item 12
l. Ongoing product/service purchases	§11.20	Item 8
m. Maintenance, appearance and remodeling requirements	§9	Item 11
n. Insurance	§13.1	Items 6 and 8
o. Advertising	§§8, 11.8.1	Items 6 and 11
p. Indemnification	§§13.2, 13.3	Item 6
q. Owner's participation/management/staffing	§11.13	Items 11 and 15
r. Records and reports	§14.2	Item 6
s. Inspections and audits	§§11.9.3, 14	Items 6 and 11
t. Transfer	§15	Item 17
u. Renewal	§3.2	Item 17
v. Post-termination obligations	§§18, 19.2	Item 17
w. Non-competition covenants	§19	Item 17
x. Dispute resolution	§§20.3, 20.4	Item 17

ITEM 10. FINANCING

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

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

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

Franchisor's Pre-opening Obligations under the Franchise Agreement

Before you open your Franchised Business, we will:

1. Review your site information and confirm the acceptability of your site subject to our minimum standards and specifications. We will endeavor to approve your site within 30 days of our receipt of your request, provided all required information has been submitted with the request. Factors considered in selection and confirmation of a site include population, traffic count, foot traffic, accessibility, visibility, demographics and competition in the area. You are exclusively responsible for selecting a location for your franchised business. (Franchise Agreement, Section 9.1)
2. Review your lease agreement for the site to confirm whether our minimum terms for inclusion in the lease are satisfied. We do not assist with negotiating the purchase or lease of your site or assist with conforming the premises to local ordinances and building codes or obtaining any required permits. In addition, we may require you to furnish us with a copy of the signed lease within five (5) days after its execution. (Franchise Agreement, Section 9.1)
3. Provide you with suggested staffing guidelines for hiring employees, operational instructions which you can use as part of training new employees. All hiring decisions and conditions of employment are your sole responsibility. (Franchise Agreement, Section 11.14)
4. Provide you access to the confidential Manual. The Manual currently consists of approximately 300 pages and may be amended from time to time. The Manual is confidential and remains our property because it is our intellectual property. We may modify the Manual from time to time, but these modifications will not alter your status and rights and obligations under the Franchise Agreement. The table of contents for the Manual are attached as Exhibit F to this Disclosure Document.
5. If applicable, provide a set of prototype plans for construction, or guidelines for buildout. These plans and guidelines are for informational purposes only and are not to be relied upon by you in the construction and/or buildout. Your final construction or buildout plans must be confirmed as acceptable by us in advance. You must use an approved architect and an approved civil engineer to customize your construction/buildout plans. (Franchise Agreement, Section 9.1)
6. Provide you with written specifications for the operation and management of the business, primarily through the Manual, including lists of approved/required items of equipment and inventory and designated or approved suppliers of such items. We do not provide, deliver or install such items. (Franchise Agreement, Section 8.6)
7. Within 1 months after you sign the Franchise Agreement, provide an initial training program, which must be successfully completed. More details about initial training appear later in this Item 11. You are solely responsible for your travel and lodging expenses for training. (Franchise Agreement, Section 8.2)
8. Review and, if appropriate, approve your grand opening marketing plan. (Franchise Agreement, Section 8.1)

Time to Opening

The typical length of time between the signing of a Franchise Agreement and the opening of the Franchised Business is 9 to 12 months. This time estimate may vary depending on the timing of the confirmation of your site, the extent of lease negotiations, any delays in obtaining governmental approvals and other factors affecting the completion of construction, completing training, and obtaining insurance among other things.

You will not open your Franchised Business before (1) successful completion of the initial training program and all other required training, (2) purchasing all required insurance and providing us, at our option, proof of coverage, (3) obtaining all required licenses, certifications, permits and other governmental approvals, and (4) performing Grand Opening Advertising. Failure to open within 12 months from the signing of the Franchise Agreement is cause for termination of the Franchise Agreement.

Franchisor's obligations during Your Operation of the Franchise

During the operation of your Franchised Business, we may, but will not be obligated to:

1. Provide you with information on new developments, techniques and improvements related to the system and to operations. (Franchise Agreement, Section 10.5)
2. Provide you with suggested staffing guidelines for hiring employees, operational instructions which you can use as part of training new employees. All hiring decisions and conditions of employment are your sole responsibility. (Franchise Agreement, Section 11.14)
3. Offer certain additional training programs that we may require you to attend. (Franchise Agreement, Section 10.3)
4. Advise you of operating problems from your reports or our inspections. (Franchise Agreement, Section 11.10.3)
5. Offer you guidance on prices for the products and services that, in our judgment, constitute good business practice. (Franchise Agreement, Section 10.7)

Franchisor's Pre-opening Obligations under the Area Development Agreement

Our obligations regarding site selection assistance, training, computer hardware and software selections, and advertising for additional Locations developed under a Area Development Agreement will be governed by the form of single-unit franchise agreement you sign for each additional Location.

Site Selection

You must obtain and maintain a site acceptable to us for your Franchised Business. If a site for your Franchised Business has not been selected by the date you sign the Franchise Agreement, you must submit to us a complete report for a site you propose. We will use reasonable efforts to accept or not accept a proposed site within 30 days after receiving your site report. Our determination to approve or disapprove a site may be based on various criteria, which we may change in our discretion, including business count, traffic count, accessibility, parking, visibility, competition and license availability. You must send us all information we require for the proposed site. We do not typically own the site where your Franchised Business is located and lease it to you.

You must obtain our written approval of a proposed site for your Franchised Business before signing any lease, sublease, or other document for the site. We must also approve the lease for your site. Our approval of a lease is conditioned upon the inclusion of certain lease terms required by us pursuant to a form of lease rider attached as Attachment C to the Franchise Agreement. These lease terms shall include a collateral assignment of the lease. (Franchise Agreement – Section 9.1).

You must obtain our written approval of your Franchised Business's proposed site and sign a lease we approve for that premises within 60 days of the effective date of the Franchise Agreement. You must deliver to us a signed copy of the lease within 10 days after its execution. If you have not received our approval of your Franchised Business's proposed site and lease within 60 days after signing the Franchise Agreement, we may terminate the Franchise Agreement upon notice to you. (Franchise Agreement – Section 9.1).

Advertising

National Marketing Fund

As disclosed in Item 6, each franchisee must remit to us a continuing nonrefundable contribution of 0.5% of Gross Sales due at the same time and in the same manner as Royalty payments. We reserve the right, upon 30 days' written notice to you, to increase this required contribution to up to 2% of Gross Sales. (Franchise Agreement – Section 8.2).

We may use the funds contributed to the national marketing fund, in our sole discretion, for market studies, technology development, advertising and public relations, product and service development, to produce materials, prepare miscellaneous artwork, conduct print, radio and/or television advertising, implement customer service programs or conduct consumer research on a national or regional level, employ an in-house or outside advertising agency and funding any other direct or indirect marketing activity, including funding or operating a charitable foundation or other charitable entities or activities, and administrative costs, which may include reimbursement for direct administrative and personnel costs associated with advertising and public relations, and any other costs associated with the development, marketing and public relations materials, and for the purchase of media placement, advertising time and public relations materials in national, regional or other advertising and public relations media in a manner determined by us, in our sole discretion, to be in the best interest of the franchisees and the System. While we do not anticipate that the national marketing fund will be used for advertising that is principally a solicitation for franchisees, we reserve the right to use the national marketing fund for public relations or recognition of our brand, for the creation and maintenance of a web site, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available."

We did not collect any national marketing fund contributions during the 2022 fiscal year.

Our company and affiliate owned locations may, but are not required to, contribute to the national marketing fund on the same basis as franchisees. An unaudited statement of the operations of the national marketing fund will be prepared each year and, upon request, will be available to you. We also reserve the right, but are under no obligation, to obtain and pay for audited financials. Any contributions not used during the current year will be carried over into the next year's budget.

Local Advertising, Marketing and Promotional Expenditure

You may not perform any local advertising unless we pre-approve such advertising in writing. You are required to engage in local advertising and you are required to commit 1.5% of your Gross Sales to your monthly local marketing efforts. We reserve the right, upon 30 days' written notice to you, to increase this required contribution to up to 2% of Gross Sales. We may review your local marketing programs and notify you if we approve same. Further, we may make available to you and provide you with access to various monthly and seasonal print, direct mail and email marketing campaigns (in the form of a source document) that you may utilize. In those instances where we provide you with access to our marketing campaigns we may provide you with the source designs and design specifications. However, you will incur the direct costs associated with utilizing such marketing campaigns and in having such campaigns printed, distributed and/or placed with media sources. (Franchise Agreement, Section 8.3)

Local Marketing Cooperatives

We have the right, in our discretion, to designate any geographic area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"). All franchisees in the designated geographical area must participate in the Cooperative. Cooperative contributions will be credited towards your Local Advertising, Marketing, and Promotional Expenditure, and will not exceed the Local Advertising, Marketing, and Promotional Expenditure unless a majority of the Cooperative's members vote to spend an amount greater than the Local Advertising, Marketing, and Promotional Expenditure on advertising. Each Cooperative will be organized for the exclusive purpose of administering regional

advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising. Each Cooperative must operate from written governing documents which will be made available to franchisees. Each year, every operating cooperative will prepare financial statements which will be made available to franchisees. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval. All such plans and materials will be submitted to us in accordance with the procedure set forth in Article 11 of the Franchise Agreement. We may grant to any franchisee, in our sole discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating reasons supporting such exemption. Our decision concerning such request for exemption will be final. We reserve the right to form, change, dissolve, or merge any Cooperative. (Franchise Agreement – Section 8.4).

Franchisee Advisory Council

We do not have a franchisee advisory council that advises us on advertising policies, though we may establish such a council in the future. (Franchise Agreement – Section 8.5)

Digital Marketing

You may not design, develop or host a website, or any web page, or use any domain name or email address containing the marks or regarding the franchised business other than as approved or required by us. We or our affiliates may establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or Google AdWords purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, “**Digital Marketing**”) that are intended to promote the Proprietary Marks, your franchised business, and the entire network of franchised businesses. We will have the sole right to control all aspects of any Digital Marketing, including those related to your franchised business. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the franchised business. If we do permit you to conduct any Digital Marketing, you must (i) comply with any standards or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such standards or content requirements. We may withdraw our approval for any Digital Marketing at any time. Except as approved in advance in writing by us, you may not establish or maintain a separate website, splash page, profile or other presence on the Internet. If such approval is granted by us, you must: (i) establish and operate such Internet site in accordance with System standards and any other policies we designate in the Operating Manual or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s). (Franchise Agreement – Section 11.8.1)

Grand Opening Advertising

You must spend \$5,000 to conduct Grand Opening Advertising in your territory. You can expend any additional amounts that you wish on Grand Opening Advertising and we estimate that you will do so. If this is your first Franchised Business you open with us, then you will be required to spend a total of at least \$5,000 in the four weeks before and the four weeks after the opening date. (Franchise Agreement – Section 8.1).

Promotional Campaigns

We may conduct promotional campaigns on a national or regional basis to promote products or marketing themes. You must participate in all promotional campaigns which we may establish for the region in which your Franchised Business is located. (Franchise Agreement, Section 8.6).

Computer Requirements

We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including without limitation: (i) a “back office” computer system that complies with our standards and specifications; (ii) the point of sale system (“the “POS System”) from our designated supplier; (iii) all-in-one printer, scanner and fax machine; and (iv) Internet access mode and speed (collectively, the “Computer System”). You will purchase, use and maintain any and all computer software programs (“Software”) which we have developed or may develop and/or designate for use for the System, and will purchase such computer hardware as may be necessary for the efficient operation of the Software. Specifically, you must obtain any software program designated by us for use in the operation of your Franchised Business. You will strictly comply with our standards and specifications for all items associated with the Computer System and any Software. You agree, at your own expense, to keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or Software as we direct from time to time in writing. We estimate that the cost of obtaining the required Computer System will be between \$3,500 and \$7,000. Although we estimate that you will not incur a substantial cost in updating the Computer System on an annual basis, we estimate that the annual costs of any optional or required maintenance, updating, or support contracts will be no more than \$500.

If and at such time we develop and custom design any software programs for conducting scheduling, accounting, inventory and point-of-sale functions and related activities (“Proprietary Software Program”), you, at your own expense, agree to obtain the computer hardware required to implement the Proprietary Software Program into your Restaurant, and to comply with all specifications and standards prescribed by us regarding the Proprietary Software Program, as provided in the Operating Manual or otherwise in writing. This Proprietary Software Program will be proprietary to us and Confidential Information of ours. It is possible that we might not be able to alter the Proprietary Software Program to accommodate each and every franchisee of the System, and therefore, at such time that we require the implementation of such software, you will only utilize the program as prescribed by us. At such time as we require the implementation of such Proprietary Software Program, we or our designee agree to provide ongoing service and support to you regarding the Proprietary Software Program and will lease such Proprietary Software Program to you at the then current rates published by us. (Section 7.8.5 of the Franchise Agreement). We reserve the right to have independent access to any data you collect electronically. You must install, at your expense, the necessary computer hardware and software to provide us with full and direct electronic access to all of your data, software systems, and related information. (Franchise Agreement – Section 7.8.5)

We reserve the right to specify and designate by brand, model, size, type and any other relevant standards or specifications the digital and other signs and displays which must be used or displayed in your Franchised Business, including the right to require that you purchase any relevant signs or displays from us or from our affiliates.

You may be required to enter into licenses and agreements with us or with designated or approved third party vendors for technical support, warranty service, or collateral software licenses.

Training

You or your Designated Principal must attend and successfully complete to our satisfaction the training program. No tuition is charged for up to 2 trainees. You will be required to remit to us a fee of \$1,000

per person for each additional trainee. You are also required to pay all travel and living expenses for your representatives while they attend the training program.

The initial training program will be conducted after you sign the Franchise Agreement. We offer the training program on an as-needed basis. We expect that the initial training classes will take approximately one week and will be held at our headquarters or another location that we designate and will be based on the Operating Manual. To reduce travel costs to the franchisee, we may also permit training to occur in other locations around the country. The initial training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Orientation: Meet key personal, Overview of Restaurant industry and company history, its principles, values and goals. Business Model Explanation. Relationship between franchisor and restaurant franchisee, Define comprehensive time table for opening business, Required certification, Compliance with local, state and federal regulations, Legal issues, Overview of support systems.	10	0	Remote / Video call
Accounting and Business Finance: Physical requirements, Equipment and supplies, Vendors accounts, Customer record keeping, Accounting, General office procedures, Restaurant franchise reporting and fees, Employee issues, Customer communication etiquette, Use of professional services, Risk Management. TECH	36	0	Headquarters/ Franchisee Restaurant
Advertising for your Business - Marketing: Marketing basics, Understanding the industry market – target clients, National marketing. Local marketing, Targeted marketing, 5 Tacos and Beers Restaurant trademark protection, Pitfalls to avoid, Local Market research	16	0	Headquarters/ Franchisee Restaurant
Restaurant Training: The 5 Tacos and Beers process. POS	0	16	Headquarters/Franchisee Restaurant

SYSTEM. Operational fundamentals:			
Field Equipment: Approved vendors, Start-up package, purchase and lease, signage, setup, Personal protective equipment, Basic mandatory equipment – use, operation, cleaning and maintenance, Additional equipment, Inventory, Ordering equipment and supplies, Legal issues	8	0	Headquarters/ Franchisee Restaurant
Food Preparation training: Menu Prepare menu items under guidance and supervision of trainer	0	80	Headquarters/ Franchisee Restaurant
Front of House employees training	0	80	Franchisee Restaurant
Sales Training: 5 Tacos and beers sales process, Group presentations, Pricing, Customer care, Restaurant calls, Monitoring sales success Final Exam Completion	8	0	Franchisee Restaurant
Effective Selling Principles. Customer relationship management	5	0	Franchisee Restaurant
Managing People Effectively: . Employee recruitment and management	5	0	Franchisee Restaurant
TOTAL	88	176	

The training program is provided primarily under the direction of Lito Saldana. Lito has over ten years of relevant experience. Several other employees of ours assist from time to time on different subjects in the training program.

The instructional material for the training program shall include on-line courses and material, PowerPoint presentations, pamphlets on specific subjects, handouts, classroom exercises and hands on instruction and demonstration are utilized in the training program. You may not make any disclosure, duplication or other unauthorized use of any portion of the training materials.

The training program must be successfully completed by all required attendees prior to opening the Franchised Business. Failure to successfully complete any phase of the training program could lead to the need to retrain on certain aspects of the training program at your expense or to a delay of your opening. Failure by you or your Designated Principal to complete the initial training program to our satisfaction is a material breach of the Franchise Agreement and provides us with grounds to terminate the Franchise Agreement.

We do not currently require additional training programs or refresher courses, but we have the right to do so in the future. You or your Designated Principal must attend such programs, and you are responsible for the reasonable costs of such programs and also for the travel, lodging and living expenses and any other costs incurred during these programs. You must complete this supplemental or additional training within one year of the time in which it is originally requested by us.

ITEM 12. TERRITORY

Territory

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

You will, however, have certain limited protected rights within an area around your Franchised Business designated by us, in our sole discretion (the “**Territory**”). During the term of your Franchise Agreement, we will neither grant anyone else the right to, nor ourselves, operate a Franchised Business by marketing, promoting, providing or performing competitive services within your assigned Territory. Continuation of this protection does not depend upon your achieving a certain sales volume, market penetration or similar contingencies. In return, you must not market, sell, promote, provide or perform competitive services outside of your Territory without our prior written consent.

We do not offer options, rights of first refusal or similar rights to acquire additional franchises.

Within your Territory, we will not operate, or grant a license for the operation of a franchise using the primary marks, unless the franchise is located in food courts, concessionaire locations (including event specific non-permanent, temporary or moveable stands, kiosks, trailers, tents or similar installations), airports, arenas, stadiums, enclosed malls, institutions (such as hospitals and schools), amusement or theme parks, state or national parks, entertainment venues and military installations, whether existing now or in the future (“**Non-Traditional Locations**”).

We will designate the Territory, in our sole discretion, during the site confirmation process based upon the number of households, traffic count, foot traffic, competition, accessibility of the location, population density and other demographic factors. Because each location is different, the Territory for each Franchised Business will be different. However, each Territory will include a minimum of 100,000 people.

We may not alter your Territory during the term of your Franchise Agreement. Your limited rights within the Territory also may not be modified and do not depend on you achieving a certain sales volume, market penetration, or other contingency.

The franchise granted to you under the Franchise Agreement is limited to permitting the use of the system and marks in the operation of the Franchised Business only in the Territory and at the specific location confirmed in advance by us. You must operate the Franchised Business only at this location.

Area Development Agreement

If you enter into an Area Development Agreement, you will obtain the right to own and operate a certain number of Locations in the Development Area where you must open each Location in compliance with the Development Schedule. The size of the Development Area will depend upon the number of Locations you are obligated to open but will vary based on demographics. Provided you comply with the terms of the Area Development Agreement, and any Franchise Agreements signed for Locations within the Development Area, we will not locate another Location operating under the Proprietary Marks, whether franchised or company-owned, in your Development Area.

You must comply with your development obligations in the Development Schedule in order to maintain your Development Area exclusivity. In the event that you fail to meet your development obligations and the Area Development Agreement is terminated, you will retain your rights to any previously owned Locations, including the territorial rights described in the Franchise Agreement for such Locations, provided that the Area Development Agreement was not terminated as a result of your failure to

comply with the terms of your existing Franchise Agreement(s). Your rights to any Locations for which there is no Franchise Agreement and your exclusivity in the Development Area will terminate immediately upon termination of the Area Development Agreement. Thereafter, we will have the right to develop the Development Area on our own or through third parties.

Relocation and Establishing Additional Locations

If the site is acquired by a governmental entity through the power of eminent domain or your lease is terminated through no fault or breach by you (a “**Relocation Event**”), we may permit you to request an alternative location within the Territory for our confirmation. You will have 60 days after the date of a Relocation Event to identify a proposed substitute location within the Territory. We will confirm your substitute site, in our sole discretion, after (i) reviewing information you submit to us about the site, including a preliminary site layout drawing and a copy of an executed contingent contract, option, or other commitment for the acquisition of the site, (ii) determining whether a revised area around the new proposed site would overlap with any other territory of franchised businesses, and/or (iii) visiting the proposed site. Within 6 months of the Relocation Event, you must enter into and provide us a copy with a binding lease, in a form that we have approved, for the proposed site and begin constructing the Franchised Business. Within 6 months of acquiring a lease to the site (or sooner if required by the lease), you must open the Franchised Business at the new site. After a Relocation Event, we require an agreed minimum royalty fee and marketing payment for the period the Franchised Business is not in operation.

The Franchise Agreement does not allow you to offer or sell products or services under the marks through any location (other than the Franchised Business) or through any other channels of distribution (such as the Internet, catalog sales, telemarketing or other direct marketing).

Reservation of Rights under the Franchise Agreement and Area Development Agreement

We and our affiliates will have the right, in our sole discretion, under the Franchise Agreement and Area Development Agreement to: (i) own and operate businesses at any location(s) outside your Territory/Development Area under the same or different marks, or to license others the right to own and operate businesses at any location(s) outside your Territory/Development Area under the same or different marks; (ii) use the Proprietary Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including but not limited to sales via the Internet at any location, including within the Territory/Development Area; (iii) own and operate businesses in “Non-Traditional Sites” including, but not limited to, sports and entertainment stadiums, arenas, entertainment complexes, malls and other shopping outlets, food courts, military bases, airports and train stations both within or outside your Territory/Development Area; (iv) own and operate businesses, or market similar products and services, at any location(s) inside your Territory/Development Area under different marks, or to license others the right to own and operate businesses, or market similar products and services at any location(s) inside your Territory/Development Area under different marks; (v) acquire, or be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere; and (vi) engage and license other parties to engage in any other activities not expressly prohibited by the Franchise Agreement/Area Development Agreement.

The Franchise Agreement and Area Development Agreement do not grant you any options, rights of first refusal, or similar rights to acquire additional franchises within the Territory/Development Area granted or any contiguous territories. Any dispute as to whether a particular site is a Non-Traditional Site will be determined by us, and our determination will be final and binding. We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to operate Restaurants at Non-Traditional Sites, either directly or through our affiliates, licensees, or designees, and you will not be entitled to any compensation as a result of our operation of Restaurants at Non-Traditional Sites.

ITEM 13. TRADEMARKS

Registrations and Applications

Pursuant to the terms of the Franchise Agreement, we will grant you the non-exclusive right and license to utilize the “5 Tacos & Beers” trademark and those other marks identified in this Item 13 to operate your Franchised Business in accordance with the System.

We reserve the right to supplement and modify the Marks that you may or may not use in connection with the operations of your franchised business. You may only use the Marks in the manner authorized by us in writing and pursuant to the terms of the franchise agreement. You may not use Marks in connection with the name of your corporation, limited liability company or other corporate entity that you may establish in connection with the operations of your franchised business.

Our Affiliate, Los Moles El Cerrito, Inc., has granted us a license to use and sublicense to use the above-mentioned Marks. The term of the license is for 99 years. The license agreement may be terminated if we take any affirmative act of insolvency, if a receiver or trustee is appointed to take possession of our properties and is not discharged within 90 days, if we wind up, sell, consolidate or merge our business, or if we breach any of our duties and obligations under the license and do not cure the breach within 60 days following written notice of the breach. Within the license agreement, the term “Marks” includes any other trade names, service marks, trademarks, designs, logos, slogans and commercial symbols now in existence or later adopted by Los Moles El Cerrito, Inc. that are used in connection with the System. This license agreement licensed to us any future trademarks acquired by Los Moles El Cerrito, Inc. as well. In the event that Los Moles El Cerrito, Inc. terminates our agreement with them, they must honor all franchise agreements, including the right to renew. No other agreements significantly limit our right to use or license the use of our marks.

The following is a description of the principal trademarks and service marks our affiliate owns and has applied for in the United States:

Mark	Registration Number or Serial Number	Registration Date or Application Date
	Registration Number: 7066695	Registration Date: May 30, 2023
5 Tacos & Beers	Serial Number: 97363298	Application Date: April 14, 2022
5 Tacos & Beers	Registration Number: 7066694	Registration Date: May 30, 2023

Because no registered trademark is at least six years old, no affidavits are required at this time. The registered trademarks listed above have not yet been renewed.

We do not have a federal registration for our trademark with the Serial Number of 97363298. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We have no currently effective material determinations of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board or any state trademark administrator or court. We have no pending

infringement, opposition or cancellation proceeding or pending material federal or state court litigation regarding our use or ownership rights in a trademark. We have no actual knowledge of any superior prior rights or infringing uses which could materially affect your use of such marks.

If any administrative or judicial proceeding arising from a claim or challenge to your use of any of our marks, you must immediately notify us, and we may take any such action as we deem appropriate in order to preserve and protect the ownership, identity and validity of the marks. We are only obligated to defend you from any claims arising from your use of our primary marks. If we decide to modify or discontinue the use of any mark and/or use one or more additional or substitute marks, you will be responsible for the tangible costs (such as replacing signs and materials) associated with such a change.

You are required to immediately notify us of any use of, or claims of rights to, a mark identical to or confusingly similar to our marks. We have the right, but not the obligation, to bring any action against any third party using such a similar mark. You are required to participate in any such action we bring against a third party at your own expense. We have the right to control any such litigation or administrative proceedings, including any settlement.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We do not have any pending patent applications that are material to the franchise. We and/or our affiliates have copyrighted or may copyright advertising materials and design specifications, our Manual and other written materials and items. We consider this information to be proprietary trade secrets, protectable under common law and applicable state laws. We also claim common law copyrights to the operational and training materials, building plans and specifications, and other proprietary materials specifically created by us in connection with the system, including proprietary advertisements, all materials presented to prospective customers of our brand, all product related marketing research, certain information on web and printed materials and forms used in connection with the operation of a franchised business. The Manual and other proprietary materials have not been registered with any copyright office.

There currently are no effective adverse determinations of the United States 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 confidential information or copyrighted materials. We know of no infringing uses of our copyrights which could materially affect your using the copyrighted materials in any state.

You must immediately inform us if you learn of any unauthorized use, infringement or challenge to the copyrighted materials, proprietary or confidential information, including but not limited to our Operations Manual. We will take any and all action(s) (or refrain from same) that we determine, in our sole discretion, to be appropriate. We may control any action we choose to bring. We have no obligation to participate in or indemnify you for any infringement claims in regard to our copyrights. You must modify or discontinue use of the subject matter covered by any copyright if directed by us at your own expense.

In operating a franchised business in accordance with our System, you will obtain access to our confidential information and trade secrets. Except as specifically authorized, you must not communicate, divulge or use such confidential information or trade secrets. Each of your equity owners is required to execute confidentiality covenants and you are required to obtain similar covenants from each of your general and assistant managers.

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

We have granted the franchise to you on the assurance that it will be managed by an active owner/operator. Accordingly, you or your Designated Principal must be actively involved in the

management of all aspects of your Franchised Business, or by a manager that we have approved from time to time. Although you may delegate some of your duties under this Agreement to your subordinate managers or employees, you remain fully responsible for your and their performance. You must use your best efforts to ensure your personnel do not cause a breach of this Agreement.

If you are a business entity (e.g., corporation, partnership or limited liability company), you must designate one person who owns at least 10% of your equity interests as your “**Designated Principal.**” The Designated Principal must have the authority to bind you to obligations relating to the Franchise Agreement.

If you sign an Area Development Agreement with us, you will be permitted to operate your Franchised Business as an absentee owner. You are not required to provide on-premises supervision; however, we recommend that you do.

The Franchised Business must be under the direct, on-premises supervision of a fully-trained manager or a fully-trained assistant manager selected by you and approved by us. We do not require that the Designated Principal or other persons who directly or indirectly own an ownership interest in your business entity provide direct on-premises supervision.

Each manager must successfully complete those portions of our initial training program required for their positions in their entirety. More information about our initial training program and its costs is contained in Items 6 and 11 of this Disclosure Document. Managers shall attend and complete special programs or periodic additional training as we may require in writing upon at least 60 days’ prior notice.

If you are a business entity, each of your owners that are active in the Franchised Business at any time during the Term and any owner that has a beneficial ownership interest of 10% or more in you, must personally guarantee, jointly and severally, your obligations under the Franchise Agreement and agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement. This includes both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. The form of your Personal Guaranty is attached as Attachment B to the Franchise Agreement. Spouses of all of your owners are required to execute a Personal Guaranty.

We have the right to require you to obtain covenants against the use and disclosure of any confidential information and covenants not to compete from your owners, managers and any other employees or agents who have received or will have access to our training or confidential information. All of the required covenants must be in substantially the form attached as Exhibit J to this Disclosure Document. In addition, you must require each of your managers to execute a Confidentiality Agreement in the form attached as **Attachment F** to the Franchise Agreement, but your managers are not required to execute a Noncompetition Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must only offer the products and services that we authorize. You may not offer or sell products or services not authorized by us. You must offer all goods and services that we designate for your Franchised Business. We may also periodically set maximum or minimum prices for services and products that your Business offers. We may periodically change the required and/or authorized products and services, and there are no limits on our right to do so. You must promptly implement these changes and must discontinue selling any products or services that we at any time decide to disapprove in writing. Items 8, 9 and 12, as well as the Manual, provide additional information regarding your specific obligations and limitations.

You must use the Franchised Business premises only for operation of the Franchised Business and for no other unrelated purpose. You may not offer for sale or sell products or services related to the

Franchised Business through alternative channels of distribution, such as the Internet. You must discontinue selling and offering for sale any services or products that we at any time decide to disapprove in writing.

There are no other limitations imposed by us on the persons to whom a franchisee may provide goods and services, except those imposed by the nature of the system itself.

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 of Franchise Agreement (“FA”)	Summary
a. Length of the franchise term	FA: §3.1	FA: 10 years from signing the Franchise Agreement.
b. Renewal or extension of the term	FA: §3.2	FA: One successor franchise terms of 10 years, if you meet certain requirements.
c. Requirements for franchisee to renew or extend	FA: §3.2	FA: You must give us 180 days prior written notice; have complied with all material terms and conditions of your current Franchise Agreement; paid all monetary obligations owed to us; agree in writing to update your Franchised Business; you and your principals sign a general release of any claims against us (subject to applicable state law); and sign our then-current standard Franchise Agreement. The then-current form of Franchise Agreement may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
d. Termination by franchisee	FA: §17	FA: If you are in compliance with your FA and we materially breach the FA and fail to cure any breach within 30 days after written notice is delivered to us, you may terminate your FA and the franchise effective 10 days after delivery of notice to us.
e. Termination by franchisor without cause	Not Applicable	We may not terminate the FA without cause.
f. Termination by franchisor with cause	FA: §16	Both the FA and the Area Development Agreement permit us to terminate the respective agreements for cause during their terms and before expiration.

Provision	Section of Franchise Agreement ("FA")	Summary
g. "Cause" defined-- curable defaults	FA: §16.2	FA: You fail to construct, remodel, and commence operating your Franchised Business within twelve (12) months from the Effective Date of this Agreement; You fail, refuse, or neglect to promptly pay when due any monies owing to us, our affiliates, to the National Marketing Fund (if established), or to other creditors you have, or to submit the financial or other information required under this Agreement; A threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business; You sell non-approved products or services; or You, by act or omission in connection with the operation of your Franchised Business, permit a continuing violation of any applicable law, ordinance, rule, or regulation of a governmental body; provided, however, that if such act or omission damages the goodwill associated with the System or the Marks, we will have the right to terminate this Agreement if you do not cure such default within twenty-four (24) hours after notice from us.
h. "Cause" defined-- non-curable defaults	FA: §16.1	FA: You are liquidated or dissolved; Your Franchised Business is not constructed strictly according to the plans we have approved, and you do not remedy the deficiencies within thirty (30) days after notice from us; You fail to operate for five (5) consecutive days (unless prevented from so by fire, flood, or acts of nature), or otherwise abandon your Franchised Business, or forfeit the right to do or transact business in the jurisdiction where your Franchised Business is located, or lose the right to possession of the premises in which your Franchised Business operates; You or any of your owners make an unauthorized Transfer under the franchise agreement; You or any of your owners are proven to have engaged in fraudulent conduct, or are convicted of, or plead guilty or no contest to a felony or a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Marks or the goodwill associated therewith; You are given three (3) or more notices of being in material violation of any of the terms or requirements of this Agreement within any twelve (12) month period, whether or not such defaults are timely cured after notice; You misuse or make any unauthorized use of the Marks and do not cease such misuse or

Provision	Section of Franchise Agreement ("FA")	Summary
		unauthorized use within twenty-four (24) hours' notice from us; You, by act or omission, materially impair the value of, or the goodwill associated with, any of the Marks or the System.
i. Franchisee's obligations on termination/non-renewal	FA: §18	FA: You must cease representing yourself as a Franchisee; cease using our Marks and System; immediately pay what you owe us pursuant to the FA; immediately return all printed materials provided to you by us, including the Manual; de-identify your Franchised Business; transfer your telephone directory listings to us; cease using proprietary products and our approved suppliers; and transfer your domain names, websites and social media accounts, etc. to us. Your obligations not to disclose or use for other purposes our trade secrets, confidential business information, or other proprietary materials remains in effect upon and after the termination, expiration or non-renewal of the FA.
j. Assignment of contract by franchisor	FA: §15.1	No restriction on our right to assign.
k. "Transfer" by franchisee--definition	FA: §15.2	FA: The FA defines transfers by you to include any assignment or transfer of the FA, any interest in the FA, any sale or transfer of any interest in your business entity not specifically authorized in the FA, or a transfer of the Franchised Business or its assets.
l. Franchisor approval of transfer by franchisee	FA: §15.2	FA: Transfers require our prior written consent, which may be granted or withheld in our discretion.
m. Conditions for franchisor approval of transfer	FA: §15.2	FA: You are in full compliance with the franchise agreement, you have no uncured defaults, and all your debts and financial obligations to us and our affiliates are current; you provide us with all information we may require concerning the proposed transaction (including a copy of the purchase agreement and all related documents), and the proposed transferee; we are satisfied that the proposed transferee (and if the proposed transferee is an entity, all holders of any interest in such entity) meets all of the requirements for our new franchisees, including, but not limited to, good reputation and character, business experience, and financial strength, credit rating

Provision	Section of Franchise Agreement ("FA")	Summary
		and liquidity, and that the sale price is not excessive; you sign a written agreement in a form satisfactory to us in which you and your investors covenant to observe all applicable post-term obligations and covenants contained in the franchise agreement and release us and our affiliates from any claims you may have against us, or any further obligations we may have to you; the proposed transferee enters into a new franchise agreement with us, on the terms we then generally offer to new franchisees (including fees payable and size of territory); provided, however, that no new initial franchise fee will be required to be paid, and further provided that the term of that franchise agreement, unless otherwise agreed, will be the remaining term of your franchise agreement; the proposed transferee agrees in writing to perform such maintenance, remodeling and re-equipping of your Franchised Location that we determine necessary to bring your Franchised Location in compliance with our then-current standards, including any updates to your technology and security equipment that we determine necessary; prior to the date of the proposed transfer, the proposed transferee's Designated Principal successfully completes such training and instruction as we deem necessary; you and all holders of an interest in you sign a general release (subject to applicable state law), in the form prescribed by us, releasing, to the fullest extent permitted by law, all claims that you or any of your investors may have against us and our affiliates, including our and their respective shareholders, officers, directors and employees, in both their individual and corporate capacities; and prior to the transfer, you pay us a transfer fee of ten thousand dollars (\$10,000).
n. Franchisor's right of first refusal to acquire franchisee's business	FA: §21	FA: We have a 14-day right of first refusal and can match offers.
o. Franchisor's option to purchase franchisee's business	FA: §18.1.11	FA: We may purchase your Business at fair market value upon the termination or expiration of the Franchise Agreement, at our discretion. We may exercise this right by giving you written notice of our election within 30 days after the date of the Termination Event.

Provision	Section of Franchise Agreement ("FA")	Summary
p. Death or disability of franchisee	FA: §15.4	FA: Upon death or disability of you (or your Operating Partner) or a Controlling Owner, your (or your Operating Partner's) or the Controlling Owner's executor or personal representative must transfer the ownership interest within 9 months of date of death or disability. A new Operating Partner must be appointed within sixty (60) days. We may assume your Business's management or appoint an interim manager to operate your Business.
q. Non-competition covenants during the term of the franchise	FA: §19.1	You may not participate in any competing business except your franchise.
r. Non-competition covenants after the franchise is terminated or expires	FA: §19.2	You will not, directly or indirectly for a period of two (2) years after the transfer by you, or the expiration or termination of this Agreement, on your own account or as an employee, consultant, partner, officer, director, shareholder, lender, or joint venturer of any other person, firm, entity, partnership, corporation or company, own, operate, lease to or lease from, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity that derives more than ten percent (10%) of its revenue from taco related products and/or services, which is located within the Territory or within a twenty-five (25) mile radius of any 5 Tacos and Beers business, whether owned by us, our affiliates, or a franchisee, wherever located, whether within the Territory or elsewhere.
s. Modification of the agreement	FA: §22.11	Only by written agreement between you and us.
t. Integration/merger clause	FA: §22.11	Only the terms of the Franchise Agreement and Area Development Agreement are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and the Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express

Provision	Section of Franchise Agreement ("FA")	Summary
		representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	FA: §§20.2, 20.3	All controversies, disputes or claims between us must be submitted first to mediation in California and then to binding arbitration in California. There is an exception permitting claims for temporary or preliminary injunctive relief to be asserted in state or federal courts in or over Albany, California to prevent irreparable harm pending arbitration. The arbitrator has no authority to award punitive damages. These provisions are subject to state law.
v. Choice of forum	FA: §20.4	Any mediation, arbitration or litigation must be held and conducted in Alameda, California or federal courts over Alameda, California. These provisions are subject to state law.
w. Choice of law	FA: §22.4	The law of the state in which the Franchised Business is located will govern (subject to applicable state law)

Provision	Section of Area Development Agreement	Summary
a. Length of the franchise term	§6	Three to twenty years for development rights depending on the agreement and the number of 5 Tacos and Beers locations, seven years for each 5 Tacos and Beers location opened.
b. Renewal or extension of the term	§5	There is no renewal period. Upon expiration you may enter into our then-current area development agreement, subject to our approval.
c. Requirements for franchisee to renew or extend	Not Applicable	No express renewal requirements or right are provided for in the Development Agreement; 5 Tacos and Beers franchise renewal requirements are those set forth in the franchise agreement.
d. Termination by franchisee	Not Applicable	No unilateral franchisee termination right is provided by the Development Agreement. The franchisee retains common law rights to terminate for material breach by us; 5 Tacos and Beers franchise termination rights are those set forth in the franchise agreement. The Development Agreement permits termination by mutual agreement.
e. Termination by franchisor without cause	§9.1	The Development Agreement permits us to terminate the agreements for cause during their terms and before expiration.
f. Termination by franchisor with cause	§9.2	The Development Agreement permits the Franchisor to terminate the agreements for cause during their terms and before expiration.
g. "Cause" defined--	§9	The Development Agreement does not provide any opportunity to cure defaults thereunder. Franchise Agreements opened under the Development

Provision	Section of Area Development Agreement	Summary
curable defaults		Agreement are subject to the same rights to cure set forth immediately above.
h. “Cause” defined-- non-curable defaults	§9.1	We may terminate the Development Agreement immediately upon written notice without providing you an opportunity to cure if any of the following conditions exist or events have transpired: (A) You fail to meet the Development Requirements set forth in Section 3 of your Development Agreement; (B) You or your owners fail to comply with any other provision of your Development Agreement; (C) You or your owners fail to comply with any Development Agreement or Franchise Agreement or any such agreement with any entity that you or your Controlling Person directly or indirectly owns in whole or in part, is terminated by us in accordance with its terms; (D) You and your owners fail to maintain the capacity and necessary skills and experience to meet the Development Requirements and timely develop and operate the 5 Tacos and Beers required to be opened and operated under this Agreement based upon criteria established by us from time to time; or, (E) The Controlling Person of the Developer under your Development Agreement is not at any time the Controlling Person of all approved entities operating 5 Tacos and Beers in the Development Area, unless a sale or transfer has been made with our express written consent.
i. Franchisee’s obligations on termination/n on-renewal	§10	Other than maintaining the confidentiality of our confidential information and trade secrets before and after termination, expiration or nonrenewal, the Development Agreement does not impose any separate or additional obligations upon termination, expiration or nonrenewal other than those set forth above relating to the Franchise Agreement.
j. Assignment of contract by franchisor	§11.1	We may assign the Development Agreement without limitation and the assignee or other legal successor to our interests will be entitled to all of the benefits of the Development Agreement.
k. “Transfer” by franchisee-- definition	§11.2	The Development Agreement defines transfers by the franchisee to include assigning, transferring or encumbering the Development Agreement or the development rights provided therein, including the sale, assignment or transfer of the interests of any owner owning more than 5% of the equity or ownership interest in an Approved Entity.
l. Franchisor approval of	Not Applicable	Not Applicable

Provision	Section of Area Development Agreement	Summary
transfer by franchisee		
m. Conditions for franchisor approval of transfer	§11	You cannot assign the Development Agreement without our express written consent, which may be granted or withheld in our sole and absolute discretion.
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	§12.2	You, or your owners, may not engage in any activity which may impair your ability to fulfil your obligations during the term of the Development Agreement without our prior written consent, which may be withheld in our sole and absolute discretion.
r. Non-competition covenants after the franchise is terminated or expires	§12.2	Continuing for two (2) years thereafter (and, in case of any violation of this covenant, for two (2) years after the violation ceases), either directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any Competitive Business which is located within twenty-five (25) miles of any 5 Tacos and Beers Business in the System.
s. Modification of the agreement	Not Applicable	Not Applicable
t. Integration/merger clause	§18	Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in any franchise disclosure document we delivered to you in connection with this Agreement
u. Dispute resolution by arbitration or mediation	§19	The Development Agreement requires disputes to be submitted first to mediation in California and then to binding arbitration in California. There is an exception permitting claims for temporary or preliminary injunctive relief to be asserted in state

Provision	Section of Area Development Agreement	Summary
		or federal courts in or over Alameda, California to prevent irreparable harm pending arbitration. The arbitrator has no authority to award punitive damages. These provisions are subject to state law.
v. Choice of forum	§19.1	Any mediation, arbitration or litigation must be held and conducted in Alameda, California or federal courts over Alameda, California. These provisions are subject to state law.
w. Choice of law	§19.4	The law of the state in which the Franchised Business is located will govern (subject to applicable state law)

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote, endorse or recommend our franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

Our Affiliate, 5 Tacos & Beers Inc., has operated a 5 Tacos and Beers business similar to the franchise offered under this Disclosure Document in Albany, CA since June 2020 (the "Affiliate Location"). The Affiliate Location was the only 5 Tacos & Beers restaurant that operated for the entire 2022 calendar year. The chart below contains a historical financial performance representation and discloses the Affiliate Location's Gross Revenue during its first six (6) months of operation in 2020 and the full 2021 and 2022 calendar years. For purposes of this historical financial performance representation, "Gross Revenue" means all revenue and other compensation derived from the operation of the Affiliate Location, including revenue from the sale of alcohol. The historical data below was reported to us by our Affiliate and has not been independently audited.

Affiliate Location Gross Revenue			
Measurement Period	July 1, 2020 to December 31, 2020	January 1, 2021 to December 31, 2021	January 1, 2022 to December 31, 2022
Gross Revenue	\$726,755.18	\$1,663,463.95	\$2,416,288.68

Written substantiation for the financial performance representations will be made available to you on reasonable request.

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

Other than the preceding financial performance representation, 5 Tacos and Beers Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Lito Saldana at 1175 Solano Ave., Albany, CA 94706 and 510-898-1829, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1
Systemwide Outlet Summary
For years 2020 to 2022**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned	2020	0	1	+1
	2021	1	1	0
	2022	1	1	0
Total Outlets	2020	0	1	+1
	2021	1	1	0
	2022	1	1	0

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

State	Year	Number of Transfers
Total Transfers	2020	0
	2021	0
	2022	0

**Table No. 3
Status of Franchised Outlets
For years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Termination	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets
For years 2020 to 2022

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
California	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Totals	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

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

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
California	0	0	3
Total	0	0	3

Exhibit C to this Disclosure Document lists the names of all current franchisees and the addresses and telephone numbers of their outlets as of the date of this Disclosure Document. There were no franchisees who had a Franchise Agreement terminated, cancelled, not renewed or who otherwise voluntarily or

involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who had 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 buyers when you leave the Franchise System.

No franchisee has signed confidentiality agreements during the last 3 fiscal years restricting its ability to speak openly about its experience with our franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with 5 Tacos & Beers. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

We are not aware of any trademark-specific franchisee organizations associated with our Franchise System.

ITEM 21. FINANCIAL STATEMENTS

We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission. Our fiscal year end is December 31. Exhibit C contains our audited balance sheet dated August 31, 2023, our unaudited profit and loss statement for the period from January 1, 2023 to August 31, 2023 and our audited financial statements for the period from our inception on June 14, 2022 to December 31, 2022.

ITEM 22. CONTRACTS

Exhibits A and G of this Disclosure Document contain all contracts proposed for use or in use regarding the offer of our franchises, including the following agreements:

Exhibit A - Franchise Agreement (Including Personal Guaranty, Lease Rider, and State Specific Addenda)

Exhibit B - Area Development Agreement

Exhibit H – Sample General Release

ITEM 23. RECEIPTS

The last two pages of this Disclosure Document are detachable duplicate Receipts that serve as an acknowledgement of your receipt of a copy of this Disclosure Document. You should sign both copies of the Receipt and return one copy to us.

EXHIBIT A
TO FRANCHISE DISCLOSURE DOCUMENT

5 TACOS AND BEERS FRANCHISING, LLC
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is made as of the Effective Date set forth in the Rider attached to this Agreement (the “Rider”) between 5 Tacos and Beers Franchising, LLC, a California limited liability company (“we” or “us”) and the person or persons named in the Rider as “Franchisee” (“you”). If you are a corporation, partnership, limited liability company or other entity approved by us to own a Franchised Business (the “Approved Entity”), the term “owners” in this Agreement shall refer to your shareholders, partners, members or other interest holders. Unless otherwise approved by us, the term “Controlling Person” refers to the person who owns forty percent (40%) or more and the largest share of the general partnership interest of such partnership; the equity and voting power of all classes of the issued and outstanding capital stock of such corporation; the membership interests of such limited liability company or the voting and ownership interests of such other entity.

1. INTRODUCTION

1.1. We have invested substantial time, effort and money to develop a system of operating 5 Tacos and Beers restaurants and have a mark for the name “5 Tacos and Beers” as well as other intellectual property rights. We grant franchises to qualified candidates for the operation of a 5 Tacos and Beers franchised restaurant. We license our trademark rights in “5 Tacos and Beers” and may in the future adopt, use and license additional or substitute trademarks, service marks, logos and commercial symbols in connection with the operation of Franchised Businesses (collectively the “Marks”). Franchised Businesses use our methods, procedures, standards, specifications and the Marks (all of which are collectively referred to as the “System”) which we may improve, further develop or otherwise modify from time to time.

1.2. You acknowledge that you have had an adequate opportunity to be thoroughly advised of the provisions of this Agreement and our Franchise Disclosure Document and have had sufficient time and opportunity to evaluate and investigate the System and the procedures and financial requirements associated with the System, as well as the competitive market in which it operates.

1.3. You desire to operate a Franchised Business that will conform to our uniform requirements and quality standards as established from time to time by us.

2. GRANT OF FRANCHISE AND FRANCHISED LOCATION

2.1. Grant of Franchise. Subject to the provisions stated below, we license to you a personal franchise to operate a franchised business under the name “5 Tacos & Beers” (your “Franchised Business”) in conformity with our System at the location described on the Rider (the “Franchised Location”). You accept the license and undertake the obligation to operate your Franchised Business using the System and in compliance with our standards. Unless otherwise agreed in writing by us, you must open your Franchised Business within twelve (12) months from the Effective Date. You must thereafter diligently operate your Franchised Business in accordance with this Agreement for the entire remaining term of this Agreement. Notwithstanding the foregoing, if you are entering into this Agreement pursuant to the terms of an Area Development Agreement executed between you and us, you will open your Franchised Business on or before the date set forth in the “Development Schedule” (as defined in the Area Development Agreement). Your Franchised Business may only be operated at the Franchised Location. If you would like to open a second or subsequent location, you must sign a new franchise agreement on our then-current form for each location, and pay the applicable franchise fees for each location.

2.2. Territory. Included in the Rider is a map or description of an area surrounding the Franchised Location (the “Territory”). Except as specified in this Section or in Section 2.B, during the term of this Agreement, we will not operate or license to anyone else the right to operate a Franchised Business from any other location in the Territory. You acknowledge and agree that (i) we and our affiliates have the right to grant other franchises or licenses and to operate company or affiliate owned locations outside the Territory even if they compete with your Franchised Business for customers who may live and/or work in or near the Territory, (ii) we and our affiliates have the right to grant other franchises or licenses and to operate company or affiliate-owned locations within private establishments located within the

Territory, provided that access to those centers is limited to employees of the business, or transient guests of the business who, in either case, would not have any reciprocity with any other Franchised Business as a result of their use or membership in this private center, (iii) we and our affiliates have the right to operate, and to grant franchises or licenses to others to operate franchised locations and any other business from locations within and outside the Territory under trademarks other than the Marks, without compensation to you, provided; however, that with respect to this clause (iii), we and our affiliates will not operate franchised locations within the Territory, or grant franchises or licenses to others to operate Franchised Businesses within the Territory, unless we do so after we or our affiliates acquire, or merge with, another business that operates or grants franchises to operate a Competitive Business, or after we are acquired by such a business, in which case we may do so, provided we do not operate those Competitive Businesses in the Territory using the Marks, or license anyone to use the Marks to operate such Competitive Businesses in the Territory. In addition, the boundaries of your Territory may overlap with a territory we grant to another franchisee or to a location we or our affiliates operate, so long as no other location is located within your Territory.

2.2.1. Non-Traditional Sites.

2.2.1.1. You further understand, acknowledge and agree that we and our affiliates alone have the right, both within and outside of the Territory, to own and operate or grant franchises to others to operate a Palm Berries Businesses under the same or different marks in transportation facilities, including airports and train stations; military bases and government offices and facilities; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals and health care facilities; fitness businesses; malls; schools and universities; or any similar captive market or any other location to which access to the general public is restricted (a “Non-Traditional Site”).

2.2.1.2. You understand and acknowledge that if any Non-Traditional Site is located within the physical boundaries of your Territory, then the premises of such Non-Traditional Site will not be included in your Territory, you will have no rights to this Non-Traditional Site, and you cannot hold us in default under the terms of this Franchise Agreement for granting the rights to or opening such Non-Traditional Site.

2.2.1.3. Notwithstanding the foregoing, you hereby understand, acknowledge and agree that in the event we permit you to operate a Franchised Business at a Non-Traditional Site, which we are under no obligation to do, you will not receive any Territory.

2.3. Additional Reservation of Rights. We and our affiliates reserve any and all rights not expressly granted to you under this Agreement, including, without limitation, the right to sell anywhere (including within the Territory) products and services (including to your customers) under the “5 Tacos & Beers” name, or under any other name, through any channel of distribution.

3. TERM AND RENEWAL RIGHTS

3.1. Initial Term. The term of this Agreement is for ten (10) years commencing on the Effective Date of this Agreement, unless terminated earlier as provided in this Agreement.

3.2. Renewal. You have the right to renew your franchise for the Franchised Location for an additional ten (10) year term, provided you meet all of the following conditions:

3.2.1. You have given us written notice at least one hundred eighty (180) days prior to the end of the then-current term of this Agreement of your desire to renew;

3.2.2. you and all entities you are a member, partner or shareholder of, are in compliance with all agreements between you and us and between you and our affiliates, and there has been no series of defaults by you thereunder (i.e., an abnormal frequency of defaults or a default that has occurred repeatedly, or a combination thereof), whether or not such defaults were cured;

3.2.3. you make, or provide for in a manner satisfactory to us, such renovation and reequipping of your Franchised Business as we deem appropriate to reflect the then-current standards and image of the System, including, without limitation, renovation or replacement of signs, equipment, furnishings, fixtures and decor;

3.2.4. you pay us a renewal fee at least fifteen (15) days prior to the expiration of the initial term of this Agreement in an amount equal to ten thousand dollars (\$10,000) (the “Renewal Fee”);

3.2.5. you sign the standard Franchise Agreement then being used by us within thirty (30) days of receipt, provided that you pay the Renewal Fee in lieu of the Initial Franchise Fee set forth in the then-current Franchise Agreement. The terms of such Franchise Agreement may differ from this Agreement, including higher fees and a modification to the Territory based upon our then-current methods of determining Territory areas (and which may include a reduction in the Territory);

3.2.6. you present satisfactory evidence that you have the right to remain in possession of the Franchised Location for the duration of the renewal term, unless we determine that the location of your business is no longer viable for the operation of your Franchised Business, in which case we may condition your right to renew on your obtaining a new site for your Franchised Business that we approve;

3.2.7. your management staff successfully completed any refresher training prescribed by us at least thirty (30) days prior to the expiration of the term of this Agreement; and

3.2.8. at the time you sign the Franchise Agreement to renew your franchise, you sign and deliver to us a general release, in the form we prescribe, releasing, to the fullest extent permitted under the laws of the state where your Franchised Business is located, all claims that you may have against us and our affiliates and our respective current and former officers, directors, shareholders, employees, insurers, consultants, contractors and agents, in both their corporate and individual capacities.

If you fail to timely comply with any provision of this Section 3.2, time being of the essence, we will at all times thereafter be permitted to operate or license to someone else the right to operate a Franchised Business from any location in the Territory, and you specifically grant to us and to the owner of that center the right to contact the customers of your Franchised Business, notify them that you have chosen not to renew your relationship with us, and solicit those customers for the benefit of us or another franchisee of the System.

4. MARKS AND COPYRIGHTS

4.1. Identity of Your Franchised Business. Your Franchised Business will be identified by the mark “5 Tacos and Beers.”

4.2. Ownership of Mark. You agree that we own or have sublicensed the rights to the Marks and the System. You also agree that any and all improvements and derivations by you relating to the Marks and System are our sole property and you hereby assign to us the same, together with the goodwill associated with the same. We will have the exclusive right to register and protect all such improvements and derivations of the Marks and the System.

4.3. Use. Your right to use and identify with the Marks and System applies only to the Franchised Location and exists concurrently with the term of this Agreement and only so long as you are in complete compliance with our quality standards. You will have the right to use the Marks and System only in the manner prescribed, directed and approved by us in writing. You will not have or acquire any rights in any of the Marks or System other than the right of use as governed by this Agreement. You may not authorize others to use or reproduce our Marks without our prior written consent. Your use of the Marks and any resulting goodwill will be to our exclusive benefit. If, in our judgment, your conduct infringes upon or demeans the goodwill, standards of uniformity or quality, or business standing associated with the Marks or the System, you will immediately, upon written notice from us, modify your use of the Marks and the System in the manner prescribed by us in writing. You will not during or after the term of this Agreement do anything directly or indirectly which would disparage, infringe upon, harm, or contest our rights in, the Marks or System.

4.4. Promotion. You will operate your Franchised Business so that it is clearly identified and advertised as a 5 Tacos and Beers restaurant. The style, form and use of the words “5 Tacos and Beers” in any advertising, written materials, products or supplies, including but not limited to any Technology Platform (defined below), must, however, have our prior written approval and comply with our specifications as we may prescribe in writing and as set forth in the Manual, or otherwise. You will use the mark “5 Tacos and Beers” and the other Marks which now or hereafter may form a part of the System, on all signs, paper supplies, business cards, uniforms, advertising materials, Technology Platforms, signs and other articles in the identical combination and manner as we may prescribe in

writing and you will supply to us samples or photographs of the same upon our request. You will comply with all trademark, trade name, service mark and copyright notice marking requirements and you will supply to us samples or photographs of the same upon our request. You will not use the words “5 Tacos and Beers” in your corporate, partnership, limited liability company or other entity name.

4.5. Substitutions of, or Adverse Claims to Marks. We have the right to protect and maintain all rights to the Marks against encroachment, misuse or unauthorized use and against all challenges to any rights of its use, as we deem appropriate. If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Mark, or to discontinue using any Mark, or if there is an adjudication by a court of competent jurisdiction that any party’s rights to any of the Marks are superior to ours, then upon written notice from us, you will, at your sole expense, immediately adopt and use the changes and amendments to the Marks that are specified by us in writing, and if the Mark that is changed is the name “5 Tacos & Beers,” then all references in this Agreement to the name “5 Tacos & Beers” will be deemed references to such substitute Mark. If we modify or discontinue use of any Mark, you will immediately cease using the Marks specified by us, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos, designs and commercial symbols designated by us in connection with all advertising, marketing and promotion of your Franchised Business. We will have no liability or obligation whatsoever with respect to your modification or discontinuance of any Mark. You will not make any changes or amendments in or to the use of the Marks or System unless directed by us in writing.

4.6. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you with respect to the Marks and will, at your reasonable expense, cooperate in all respects with us in any court or other proceedings involving the Marks. We will pay the cost and expense of all litigation incurred by us, including attorneys’ fees, specifically relating to the Marks. We will have the right to control and conduct any litigation relating to the Marks and be entitled to all recovery related to claims with respect to the Marks. While we are not required to defend you against a claim based on your use of the Marks, we will reimburse you for your liability. You will also be required to reimburse us for liability arising out of your unauthorized use of any of the Marks.

4.7. Copyrighted Materials. You acknowledge and agree that we may authorize you to use certain copyrighted or copyrightable works (the “Copyrighted Materials”), including the Manual (as defined below). The Copyrighted Materials are our valuable property. Your rights to use the Copyrighted Materials are granted to you solely on the condition that you comply with the terms of this Agreement. Your use of the Copyrighted Materials does not vest you with any interest other than the temporary, non-exclusive license to use the Copyrighted Materials granted in this Agreement. All rights that inure as a result of the use of the Copyrighted Materials belong solely to us.

4.8. Protection. You will sign any documents that we or our counsel deem necessary for the protection of the Copyrighted Materials or the Marks or to maintain their validity or enforceability, or to aid us, at our expense, in acquiring rights in or in registering any of the Marks or any trademarks, trade names, service marks, slogans, logos or emblems that we subsequently adopt.

5. INITIAL FRANCHISE FEE

5.1. Initial Franchise Fee. You will pay us a non-refundable initial franchise fee (the “Initial Franchise Fee”) as set forth in the Rider.

5.2. No Refunds. The Initial Franchise Fee has been fully earned upon our signing of this Agreement and is non-refundable in consideration of the expenses incurred by us in granting this franchise and for the lost or deferred opportunity to franchise others.

6. ROYALTY FEE

6.1. Royalty Fee. Beginning in the seventh month after opening the Franchised Business, you will pay us a non-refundable weekly royalty payment (the “Royalty Fee”) on every Tuesday equal to five percent (5%) of your Gross Sales from the prior week. We have the right, in our sole discretion, to change the frequency and method by which the Royalty Fee is paid to us.

6.2. Gross Sales Defined. The term "Gross Sales" means the total receipts from all sales by the Franchised Business received from performing, marketing, and selling products and services, whether in the form of cash, credit or otherwise. Gross Sales does not include any sales tax or other tax collected by the Franchised Business and paid to the appropriate taxing authority.

6.3. Method of Payment. Notwithstanding any designation by you, we have the sole discretion to apply any payments made by you to any of your indebtedness for Royalty Fees, National Marketing Fees, purchases from us or our affiliates, vendors, interest, collection costs or any other indebtedness. You agree that you will not withhold payment of any Royalty Fees, National Marketing Fees or any other amount due us, and that the alleged non-performance or breach of any of our obligations under this Agreement or any related agreement does not establish a right at law or in equity to withhold payments due us for Royalty Fees, National Marketing Fees or any other amounts due.

You hereby authorize your billing and payment processor to deduct from any monies it collects on your behalf the amount of all fees and payments you are obligated to pay us and to our affiliates and to pay those fees to us or to our affiliates on the due date of such fee. We also have the right to require you to sign and deliver to us, our bank(s) and your bank, as necessary, all forms and documents that we may request to permit us to debit your account, either by check, via electronic funds transfer or other means or such alternative methods as we may designate ("Payment Methods") for all fees and payments due to us. We may use the Payment Methods to collect Royalty Fees, advertising fees and any other amounts due to us or our affiliates on the date such amounts become due. You will notify us at least twenty (20) days before closing or changing the account against which such debits are to be made. If such account is closed or ceases to be used, you will immediately provide all documents and information necessary to permit us to debit the amounts due from an alternative account. You acknowledge that these requirements are only a method to facilitate prompt and timely payment of amounts due and will not affect any obligation or liability for amounts owed.

6.4. Security Interest. You grant us a first priority security interest in your receivables and equipment, whether now existing or hereinafter created, together with all proceeds of such assets. You authorize us to file one or more financing statements to evidence this security interest. However, we will subordinate our first priority interest to a lending institution that provides you financing for your Franchised Business.

7. OTHER FEES

7.1. Late Fee and Interest on Overdue Payments. You will pay us the lesser of eighteen percent (18%) interest of the overdue amount or the maximum rate allowed by law if you are late on making a payment to us.

7.2. Insufficient Funds Fee. If any payment from you does not successfully convey funds due to insufficient funds, stop payment instructions, or any similar event, you shall pay, upon demand, an insufficient funds fee equal to either (1) the greater of fifty dollars (\$50.00) or five percent (5%) of the payment amount, or (2) the maximum fee allowed by law.

7.3. Supplier Review Fee. You must pay us five hundred dollars (\$500) upon a submission of an alternative supplier or product for our consideration. We will advise you within a reasonable time (in no event longer than seven (7) business days after receipt of the applicable information required for approval) whether the proposed Supplier(s) and product(s) meet our specifications, and our approval will not be unreasonably withheld. The approval time may vary if we determine, in our independent judgment, that additional testing is needed. We will notify you in writing of our approval or disapproval and or revocation of approved suppliers. Suppliers must maintain our standards in accordance with written specifications and any modifications. If a supplier deviates from our specifications, we may terminate the supplier's status as an approved supplier. Suppliers must also be able to supply our entire franchise system.

8. ADVERTISING AND PROMOTION

8.1. Grand Opening Program. You agree to conduct a grand opening advertising and promotional program ("Grand Opening Program") for your Franchised Business beginning four weeks (4) prior to your scheduled opening and ending four weeks (4) following the opening of your Franchised Business. The Grand Opening Program must target prospective customers throughout the Territory and meet the

standards we establish from time to time. You must spend a minimum of five thousand (\$5,000) on the Grand Opening Program. The amounts you spend on the Grand Opening Program are in addition to the National Marketing Fees (defined below) that you must pay to us. Upon request by us, you must provide us with a report itemizing the amounts you spent on the Grand Opening Program. If you fail to spend the minimum required amount on the Grand Opening Program, we have the right to collect from you the difference between what you actually spent and the minimum required expenditure and contribute such difference to the National Marketing Fund (defined below).

8.2. National Marketing Fee. We have established a National Marketing fund for the common benefit of System franchisees (the “National Marketing Fund”). You are required to contribute one-half percent (0.5%) of your Gross Sales each month to the National Marketing Fund (the “National Marketing Fees”).

8.2.1. The National Marketing Fees are due on or before the first day of each month. The first payment is not due until the month that begins immediately after the month that your Franchised Business opens. Your obligation to pay the National Marketing Fees continues through the term of this Agreement. You will also pay the full amount of the National Marketing Fees for the last month of the term of this Agreement, regardless the actual termination date of this Agreement.

8.2.2. We reserve the right to increase your National Marketing Fees to up to two (2%) of your Gross Sales upon thirty (30) days’ notice to you.

8.2.3. We have the right to use National Marketing Fund Contributions, in our sole discretion, to develop, produce, and distribute national, regional and/or local advertising and to create advertising and public relations materials which promote, in our sole judgment, the products offered by System franchisees. We may use the National Marketing Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertising. We are not obligated to expend monies from the National Marketing Fund in any particular franchisee’s market in proportion to the payments to the National Marketing Fund made by the franchisee in that market. We do not represent that we will spend any particular amount of National Marketing Funds locally, regionally, or nationally.

8.2.4. We shall administratively segregate all contributions to the National Marketing Fund on our books and records. All such payments to the National Marketing Fund may be deposited in our general operating account, may be commingled with our general operating funds, and may be deemed an asset of ours, subject to our obligation to expend the monies in the National Marketing Fund in accordance with the terms hereof. We may, in our sole discretion, elect to accumulate monies in the National Marketing Fund for such periods of time, as we deem necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. In the event our expenditures for the National Marketing Fund in any one fiscal year shall exceed the total amount contributed to the National Marketing Fund during such fiscal year, we shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the National Marketing Fund or to use such excess as a credit against its future contributions. The parties do not intend that the Fund be deemed a trust.

8.2.5. We use National Marketing Fund Contributions to develop and prepare advertising which we distribute to System franchisees for their placement in the local media. The advertising is prepared by us and by outside sources. If we do not spend all National Marketing Fund Contributions by the end of each fiscal year, the funds will be carried forward into the next fiscal year. There is no requirement that the National Marketing Fund be audited. Upon your written request, we will provide you with an unaudited accounting of National Marketing Fund expenditures.

8.2.6. We have the sole right to determine how to spend the National Marketing Fund Contributions, or funds from any other advertising program, and the sole authority to determine the selection of the advertising materials and programs, provided, however, that we will make a good faith effort to expend such funds in the general best interests of the System on a national or regional basis. We are not required, under the Franchise Agreement, to spend any amount of National Marketing Fund Contributions in your Territory and not all System franchisees will benefit directly or on a pro rata basis from our expenditures. We have the right to reimbursement from the National Marketing Fund Contributions for reasonable costs and overhead, if any, as we may incur in activities which are reasonably related to directing and implementing the National Marketing Fund and advertising programs

for franchisees and the System, including costs of personnel for creating and implementing advertising, promotional and marketing programs.

8.3. Local Advertising. In addition to the National Marketing Fund Fee described above, you must spend a minimum of one and a half percent (1.5%) of your Gross Sales per month on local advertising and promotion implemented in a format and using materials and designs approved by us as your “Local Advertising”. We reserve the right to increase the Local Advertising fee up to to percent (2%) of your Gross Sales. You may spend any additional sums you wish on local advertising. You are permitted to use your own advertising materials, so long as you have submitted them to us for approval before your use. You must immediately cease using any advertising materials that we deem, in our sole discretion, inappropriate, and that we notify you of in writing. We have the right, in our discretion, to require you to submit receipts documenting this marketing activity.

8.4. Cooperatives. We have the right, in our discretion, to designate any geographic area for purposes of establishing a regional advertising and promotional cooperative (“Cooperative”). All franchisees in the designated geographical area must participate in the Cooperative. Cooperative contributions will be credited towards your Local Advertising, and will not exceed the Local Advertising, unless a majority of the Cooperative’s members vote to spend an amount greater than the Local Advertising on advertising. Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval. All such plans and materials will be submitted to us in accordance with the procedure set forth in Section 12.1 of this Agreement. We may grant to any franchisee, in our sole discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating reasons supporting such exemption. Our decision concerning such request for exemption will be final.

8.5. Advertising Council. We reserve the right to establish an advertising council (“Advertising Council”). If we establish an Advertising Council, it will serve in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the National Marketing Fund. At our discretion, the Advertising Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve an Advertising Council (if created) at any time.

8.6. Promotional Campaigns. We may conduct promotional campaigns on a national or regional basis to promote products or marketing themes. You must participate in all promotional campaigns which we may establish for the region in which your Franchised Business is located.

9. BUSINESS PREMISES

9.1. Site Acquisition. Prior to the acquisition by lease or purchase of the site for your Franchised Business, you will submit to us such information and materials as we may require, which may include, but not be limited to, your proposed lease. We will have ten (10) business days after receipt of the information and materials we requested to approve or disapprove your proposed site. No site will be deemed approved unless it has been expressly approved in writing by us by notice of site approval sent to you. Our examination and approval of the location of your Franchised Business site does not constitute a representation, guaranty or warranty, express or implied, of the successful operation or profitability of the Franchised Business operated at that location. In addition, we may require you to furnish us with a copy of the signed lease within five (5) days after its execution.

9.2. Opening. You may not initially open your Franchised Business to the public until you have completed all of your pre-opening obligations, and obtain our consent to you opening the business, including your opening date.

9.3. Relocation. You may not move or relocate your Franchised Business without our prior written consent, which consent shall not be unreasonably withheld.

9.3.1. The request for relocation must be made in writing, stating the new location, received by us at least sixty (60) days prior to the date of intended relocation, and be accompanied by a relocation fee of One Thousand Five Hundred Dollars (\$1,500). The new location must be within the Territory (as defined herein), and it may not be located within any territory we grant to any other franchisee. We will refund the relocation fee to you if we do not approve your new location.

9.3.2. Upon receipt of our approval, you must upgrade the new location to comply with all of our current specifications and construct the new premises in the manner required under Section 9.1.

10. FRANCHISOR'S OBLIGATIONS/ TRAINING

10.1. Location. We will provide you with consulting services to assist you in determining the evaluation criteria for selecting the site location for your Franchised Business.

10.2. Initial Training. We will, at our expense, provide an initial training program to educate and acquaint you with the business of operating a Franchised Business. The training program will include instruction on basic operating skills and other topics we select. If you have more than one Franchise Agreement with us, we may, at our option, provide this training program one (1) time for multiple agreements. The person you designate as your principal operator (whether you, if you are an individual, or one of your owners if you are an entity) (the "Principal Operator") must attend one of the next two (2) initial training programs we offer following our acceptance of this Agreement, and before you open your Franchised Business, and successfully complete the training program. If anyone other than a Principal Owner attends the training program, we will require they sign a confidentiality agreement that meets our requirement before they may attend and you must provide us a copy of that agreement. You will be responsible for travel costs, room and board, salaries, fringe benefits, and other expenses incurred by you and your employees in attending the training program. Failure by your Principal Operator to complete the training program to our satisfaction is a material breach of this Agreement and we may terminate this Agreement at our option.

10.3. Additional Required Training. We will make available additional training which we deem advisable to familiarize you on changes and updates in the System.

10.4. Annual Conference. We reserve the right to hold a annual conference for franchisees, and you will be required to attend if we establish them. A Principal Owner is required to register for, and annually attend our annual conference. If a Principal Owner cannot attend the conference, we will consider allowing you to transfer the registration to your Principal Operator, but to no other person. Additional representatives of yours may also attend the conference, as long as you register them and pay the registration fee for their attendance. You must also pay for all travel and living expenses incurred by you and your representatives in attending the conference. If you fail to register for our annual conference, we will bill you for the "early bird" (or similar) conference fee after the conference.

10.5. Additional Training. We will make available additional training which we deem advisable to familiarize you on changes and updates in the System.

10.6. Manual. We will loan you one copy of the manual in which we describe the System operational policies, standards, requirements and practices (the "Manual"). The Manual may be loaned to you by providing you access to an electronic version of the Manual. The Manual contains mandatory and suggested specifications, standards and operating procedures that we have developed for Franchised Businesses and information relating to your other obligations. You will comply with and operate your Franchised Business in conformance with all mandatory provisions of the Manual. We have the right to revise the Manual at any time or add additional manuals. You will incorporate all revisions into the Manual, and at all times the Manual (including any additional manuals) will remain on the premises of your Franchised Business. You will not make copies of any portion of the Manual without our prior written consent. You acknowledge that the required provisions of the Manual are designed to protect our standards and systems and our Marks and to create a uniform customer experience, and not to control the day-to-day operation of your Franchised Business.

10.7. Ongoing Assistance. During the operation of your Franchised Business, we will make available to you from time to time all changes, improvements and additions to the System and all supplements and modifications to the Manual.

10.8. Nature of Assistance and Training. You agree that we are not obligated to provide any training or assistance to your particular level of satisfaction, but as a function of our experience, knowledge and judgment. You also acknowledge that we are not obligated to provide any services to you that are not set forth in this Agreement. If you believe we have failed to adequately provide any preopening services to you or to your employees, whether with respect to site selection, selection and purchase of equipment and supplies, training, or any other matter affecting the establishment of your Franchised Business, you must notify us in writing within thirty (30) days following the opening of your

Franchised Business or you will be deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by us were sufficient and satisfactory in your judgment, and complied with all representations made to you.

11. APPEARANCE AND OPERATION OF YOUR FRANCHISED BUSINESS

11.1. The Marks and System licensed to you represent valuable goodwill distinctive of our business and reputation. We will promulgate, from time to time, standards of quality and service regarding the business operations of Franchised Businesses so as to protect the distinction and goodwill represented and symbolized by the Marks and System. You must abide by those standards and the provisions set forth below unless otherwise authorized by us in writing.

11.2. Signs. You will prominently display, at your expense, both on the interior and exterior of your premises, signs in such form, color, number, location and size, and containing such Marks as we designate. We also may require you to use illuminated signs. You will obtain all permits and licenses required for such signs and will also be responsible for ensuring that all signs comply with all laws and ordinances. You will not display in or upon your premises any sign or advertising of any kind to which we object. We reserve the right to require you to update your signage at any time at your expense.

11.3. Services. You will conform to all quality and customer service standards prescribed by us in writing, provided that the standards are not specifically set for you, but are set for our entire system, or a specific region or market in which other System businesses are operating.

11.4. Appearance and Maintenance of Premises. You will design, build and maintain the premises according to our specifications and guidelines, which may be provided in the Manual. You will paint and keep in an attractive, clean and sanitary condition the interior and exterior of your Franchised Business. All equipment will be kept in good working order and will meet our quality standards.

11.5. Approved Information System. We may designate the information system used in your Franchised Business, including the computer hardware, software, other equipment and enhancements (the "Information System"). In such event, in connection with the approved Information System, you agree to the provisions set forth below.

11.6. Billing and Payment Processing Services. We have the right to designate one or more approved vendors for billing and payment processing services. You must use the vendor that we designate (or one of the approved vendors if we designate more than one) for all your billing and payment processing. You must pay the designated vendor their customary charges for these billing and payment processing services, as well as their customary charges for all other ancillary services they provide.

11.7. Indemnification. You hereby release and agree to hold us and our affiliates, and our respective officers and directors, harmless from and against any and all claims, liability, damages, or causes of action of any nature arising from, or in connection with, the installation, maintenance, or operation of the Information System and its billing and payment processing, except to the extent arising from such party's gross negligence or intentional acts.

11.8. Technology Platforms. Except as described in the Manual or otherwise in writing, we reserve the sole right to advertise the System on the Internet or sell any products or services on the Internet or any mobile or electronic application (or any current or future form of electronic platform or communication). You must participate in any Internet website, home page, web pages, electronic mail, social media sites, applications, online platforms, and other current or future forms of electronic communications that we require (collectively the "Technology Platforms"), as described in the Manual or otherwise in writing. To the extent that you may control or access any Technology Platform, the Technology Platforms must be operated and maintained by you in compliance with all provisions of this Agreement, including those regarding the use of confidential and proprietary information, as well as any and all operating procedures, policies, standards and requirements as we may specify from time to time. You must maintain any Technology Platform you control or access in compliance with all applicable laws, rules, and regulations, including but not limited to those applicable to copyright and trademark, privacy, anti-defamation, and advertising and endorsements. You must submit all content for any Technology Platform to us for our prior written approval before using such content. You must pay us or our designee (which may be our affiliate) the then-current fees for the access to, modification of and

maintenance of the Technology Platforms. We may modify, suspend, replace, discontinue or add to any Technology Platforms at any time and you must comply with such changes at your expense. We retain sole ownership of the Technology Platforms, including any domains names, content, email addresses and information stored on the Technology Platforms. Your access to the Technology Platforms will automatically terminate upon expiration or termination of this Agreement. You hereby release and agree to hold us, our officers and directors, harmless from and against any and all claims, liability, damages, or causes of action of any nature, arising from, or in connection with, the creation, operation, or maintenance of the Technology Platform, unless such liability arises out of our gross negligence or intentional acts.

11.8.1. You may not design, develop or host a website, or any web page, or use any domain name or email address containing the marks or regarding the Franchised Business other than as approved or required by us. We or our affiliates may establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or Google AdWords purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, “Digital Marketing”) that are intended to promote the Proprietary Marks, your Franchised Business, and the entire network of franchised businesses. We will have the sole right to control all aspects of any Digital Marketing, including those related to your franchised business. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the franchised business. If we do permit you to conduct any Digital Marketing, you must (i) comply with any standards or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such standards or content requirements. We may withdraw our approval for any Digital Marketing at any time. Except as approved in advance in writing by us, you may not establish or maintain a separate website, splash page, profile or other presence on the Internet. If such approval is granted by us, you must: (i) establish and operate such Internet site in accordance with System standards and any other policies we designate in the Manual or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s).

11.9. Compliance with Our Standards. You will operate your Franchised Business through strict adherence to any mandatory standards, specifications and policies of the System as they exist from time to time, in order to ensure compliance with the quality standards of the System. You may offer from your Franchised Business only those products and services that we approve. We have the right to change the products and services that we require you to offer from your Franchised Business at any time, without limitation. You will at all times be responsible for the conduct of the day-to-day operation of your Franchised Business and for the terms of employment for your employees.

11.9.1. You acknowledge that the mandatory standards, specifications and policies we establish are not aimed at the day-to-day operation of your business, which will solely be within your control, but are merely intended to preserve the goodwill of the System and Marks.

11.9.2. Your Franchised Business must be open for business according to the days and hours specified in the Manual, subject to applicable state laws.

11.9.3. We reserve the right to have someone conduct an inspection of your Franchised Business after you open. We will provide you a copy of the report at your request. If your Franchised Business does not receive a passing score from that visit, a new inspection will be conducted. This process will be repeated until you have received a passing score. At our option, you must pay us for a final inspection fee we establish for each failed inspection to defer any costs we incur in re-inspecting your Franchised Business after the first inspection. This fee will be payable in the manner we specify.

11.10. Compliance with Laws. You will, at your expense, comply with all applicable local, state, federal and municipal laws, ordinances, rules and regulations pertaining to the operation of your Franchised Business, including, without limitation, any and all licensing and bonding requirements, health and safety regulations, labor and employment laws, and the Americans with Disabilities Act. You will, at your expense, consult an attorney to obtain advice with regard to compliance with all federal and state licensing laws and all other laws relating to the operation of your Franchised Business. Further, you will, at your expense, be exclusively responsible for determining the licenses and permits required

by law for your Franchised Business, for filing, obtaining and qualifying for all such licenses and permits, and for maintaining all necessary licenses and permits throughout the term of this Agreement. You must comply with all laws and regulations relating to privacy and data protection and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us immediately of any suspected data breach at or in connection with the Franchised Business.

11.11. Payment of Liabilities. You will timely pay all of your obligations and liabilities, including, without limitation, those due and payable to us, and to your suppliers, lessors and creditors.

11.12. Taxes. You will promptly pay all federal, state and local taxes arising out of the operation of your Franchised Business. We will not be liable for these or any other taxes and you will indemnify us for any such taxes that may be assessed or levied against us which arise or result from your Franchised Business, including any taxes imposed by your state on any royalties or other amounts you are required to pay to us and our affiliates.

11.13. Personnel. You are responsible for recruiting, hiring and training employees and others to operate your Franchised Business.

11.13.1. The people you retain to work in your Franchised Business will be your agents and employees. They are not our agents or employees and we are not a joint employer of those persons. It will be up to you to determine who to retain, how many people to retain (subject to any minimum staffing requirements we may prescribe), how you compensate these people, terms of employment and working conditions for your employees, when and how to discipline the people you hire, and when and how to terminate the people you hire. However, you are required at all times to comply with all applicable employment laws. We will not have any duty or obligation to operate your Franchised Business, to direct your employees, to schedule your employees, or to oversee your employment policies or practices.

11.13.2. You will designate an individual to serve as the Designated Principal of your Franchised Business. The Designated Principal will devote his/her best efforts to the supervision and conduct of the development and operation of your Franchised Business and, as required in this Agreement, will agree to personally be bound by confidentiality and non-competition provisions of this Agreement. The Designated Principal, and anyone owning a controlling interest in your Franchised Business if other than the Designated Principal, will complete our initial training requirements and will complete all additional training as we may reasonably designate.

11.13.3. We will offer training to your employees from time to time. We may require you to send your employees to training and require you to pay our then-current fees for providing that training. However, the fact that we may offer training to your employees does not relieve you from the primary responsibility to assure your employees are properly trained. You will be solely responsible for all wages, travel, and living expenses, and all other costs incurred by you and your employees in connection with any training or instruction that we provide.

11.14. Photographs. We will have the right to photograph and make video or digital recordings of your Franchised Business premises and your employees at all reasonable times. We will have the right to use all photographs and videos or digital recordings of your Franchised Business for such purposes as we deem appropriate, including, but not limited to, use in training, advertising, marketing and promotional materials, and as evidence in any court or arbitration proceeding, to the extent the consent of any of your employees or others is required for our use of these photographs and recordings for commercial purposes, you will use your best efforts to obtain these consents. Neither you nor your employees will be entitled to any right to be compensated by us, our advertising agencies, or other franchisees for any use of such photographs or recordings.

11.15. Ownership of Information. All of the information we or our affiliates obtain from you or about your Franchised Business, and all information in your records or ours concerning the members of your Franchised Business (“the Information”) and all revenues we derive from the Information will be our property. However, you may at any time during the term of this Agreement use in the operation of your Franchised Business (but for no other purpose), to the extent lawful and at your sole risk and responsibility, any information that you acquire from third parties in operating your Franchised Business, such as customer data. The Information (except for information you provide to us or our affiliates with respect to you and your affiliates, including your respective officers, directors, shareholders, partners or equity members of your entity) will become our property which we may use

for any reason as we deem necessary or appropriate in our discretion. You hereby authorize your payment processor to release the information to us at any time. Following termination or expiration of this Agreement, you will no longer use any of the Information, except to comply with your post-term obligations under this Agreement, and you authorize your payment processor to release the Information exclusively to us and/or our designees.

11.16. Manual. You will operate your Franchised Business in accordance with all mandatory provisions of the Manual. You will treat the Manual as confidential and will use all reasonable efforts to maintain the Manual as secret and confidential. You will use the Manual only in the operation of your Franchised Business. The Manual will remain our sole property. We may from time to time revise the contents of the Manual. You agree to comply with each new or changed standard. 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 control. Any required specifications, standards and operating procedures described in the Manual or otherwise exist to protect our interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you.

11.17. Visits. A representative of ours may make visits to your Franchised Business to ensure compliance with all required standards, specifications and procedures. Our representative will be allowed to inspect the condition and operation of your Franchised Business and all areas of your Franchised Business at any time during your business hours. Such inspections may include, without limitation, conducting any type of audit or review necessary to evaluate your compliance with all required payments, standards, specifications or procedures. We may, from time to time, make suggestions and give mandatory instructions with respect to your operation of your Franchised Business, as we consider necessary or appropriate to ensure compliance with the then-current quality standards of the System and to protect the goodwill and image of the System. You expressly agree that these visits will not imply that you are in compliance with your obligations under this Agreement or under the law or that we waive our right to require strict compliance with the terms of this Agreement or the Manual. Furthermore, such visits will not create any responsibility or liability in our part. If you request that we make additional visits to your Franchised Business, you will pay the fees we establish for such visits. You will also allow us to visit your Franchised Business with prospective franchisees during your business hours.

11.18. Notices of Default; Lawsuits or Other Claims. You will immediately notify us of, and deliver to us a copy of any notice regarding, a breach, default, claim, lawsuit, administrative or agency proceedings or investigations, or other actions or proceedings relating to your Franchised Business. Upon request from us, you will provide such additional information as may be required by us regarding the same.

11.19. Your Dealings with Us and Our Affiliates. You acknowledge that when we are required to perform any services for you, we may use any third parties, including affiliates of ours, to perform those services. If you are required to pay us a fee for those services, we may have you pay that fee directly to the affiliate or third party that performs the service. However, if you are not required to pay us a fee for the service, you will not be obligated to pay any parties we contract with for services that we are required to provide to you without charge under this Agreement. We and our affiliates may also receive rebates or compensation from other parties in connection with the provision of such services.

11.20. Purchases. You will purchase and offer for sale only such types, models or brands of fixtures, furniture, equipment, products, inventory, supplies and other items that we approve for Franchised Businesses as meeting our standards for quality, design, warranties, appearance, function and performance. Although we do not do so for every item, we have the right to approve the manufacturer of any item used or sold in your Franchised Business. You will not install or maintain at your Franchised Business any newspaper racks, video games, jukeboxes, gaming machines, gum machines, vending machines, video or similar devices without our, and any necessary governmental, prior written approval. We may require you, in our sole discretion, to purchase certain fixtures, furniture, equipment, inventory, supplies, services, and other items used or offered at your Franchised Business from suppliers who have been approved by us, in which case we will provide you with a list of approved suppliers.

11.20.1. You acknowledge and agree that certain products, supplies or other services, including the Information System, you may be required to purchase for use in the operation of your Franchised Business may only be available exclusively from us or our affiliates, or from other mandatory suppliers or vendors that we approve, in our sole discretion.

11.20.2. **THOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO FIXTURES, FURNITURE, EQUIPMENT (INCLUDING WITHOUT LIMITATION ANY AND ALL REQUIRED COMPUTER SYSTEMS), SUPPLIES, OR OTHER APPROVED ITEMS.**

11.21. **Taxes on Fees.** If your state, or any governmental body in your state, charges a tax on any fee you owe to us or to our affiliates, then you are required to pay an additional amount equal to the amount of this tax. (For purpose of clarification, this does not apply to any federal or state income taxes that we or our affiliates are required to pay.)

11.22. **Exclusive Use.** The rights and privileges granted to you under this Agreement are personal in nature and may not be used at any location other than the Franchised Location. You do not have the right to delegate, subfranchise, or sublicense any of your rights under this Agreement. Without our written consent, you may not use the Franchised Location for any purpose other than the operation of the Franchised Business.

11.23. **Proprietary Software Program.** If and at such time we develop and custom design any software programs for conducting scheduling, accounting, inventory and point-of-sale functions and related activities (“Proprietary Software Program”), you, at your own expense, agree to obtain the computer hardware required to implement the Proprietary Software Program into your Restaurant, and to comply with all specifications and standards prescribed by us regarding the Proprietary Software Program, as provided in the Operating Manual or otherwise in writing. This Proprietary Software Program will be proprietary to us and Confidential Information of ours. It is possible that we might not be able to alter the Proprietary Software Program to accommodate each and every franchisee of the System, and therefore, at such time that we require the implementation of such software, you will only utilize the program as prescribed by us. At such time as we require the implementation of such Proprietary Software Program, we or our designee agree to provide ongoing service and support to you regarding the Proprietary Software Program and will lease such Proprietary Software Program to you at the then current rates published by us.

11.24. **Audits.** If you fail to furnish any reports we require or understate your Gross Sales by more than three percent (3%), we may charge you the understated amount plus interest at the maximum rate allowed by law, plus audit fees and related expenses we incur.

11.25. **Your Participation in the Operation of the Franchised Business.** If you are a business entity, while your Designated Principal must be onsite at your Franchised Business no fewer than twenty (20) hours per week, every other person who owns at least 10% of your equity interest must be present and onsite at your Franchised Business for no fewer than twenty (20) hours per month.

12. CONFIDENTIAL INFORMATION/ IMPROVEMENTS

12.1. You acknowledge that all the information you have now or obtain in the future concerning the System and the concepts and methods of promotion franchised hereunder is derived from us pursuant to this Agreement, and that you will treat such information in confidence. You agree never to, directly or indirectly, engage in or abet the misappropriation (as the term “misappropriation” is defined in the California Uniform Trade Secrets Act), or the disclosure, divulgence, or distribution of all or any part of the System and the concepts and methods of promoting franchises hereunder. You will disclose such confidential information only to such of your employees as must have access to it in order to operate your Franchised Business and use it only for the operation of your Franchised Business. At our request, you will be required to deliver to us confidentiality agreements and non-compete agreements in a form satisfactory to us from your owners, the spouses of your owners, and your employees. The scope of the confidentiality agreements shall be consistent with the provisions of this Section, and the scope of the noncompete agreements shall be consistent with the provisions herein.

12.2. Notwithstanding any provision of Section 10.1, at your discretion, you may allow any financial institution that has loaned money to you or to your business to have access to your books and records to confirm your billings, collections, receivables, and any other financial information you have provided to the financial institution.

12.3. If you conceive or develop any improvements or additions to the System, new trade names, trade and service marks or other commercial symbols related to your Franchised Business, or any advertising and promotion ideas related to your Franchised Business (“Improvements”), you will fully disclose the Improvements to us without disclosure of the Improvements to others, and you will obtain our written approval before using such Improvements. Any such Improvement that we approve may be used by us and all our other franchisees without any obligation to pay you royalties or similar fees. You will assign Improvements to us, and hereby do assign, without charge, any rights, together with the goodwill associated with the Improvements, including the right to grant sublicenses to any such Improvement. We, at our discretion, may make application for and own copyrights, trade names, trademarks and service marks relating to any such Improvement. We also may consider such Improvement as our property and trade secret. We will, however, authorize you to use any Improvement authorized generally for use by our other franchisees.

12.4. Notwithstanding any other provision of this Agreement, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets in limited circumstances, as specified in the Manual.

13. INSURANCE; INDEMNIFICATION

13.1. Insurance. You alone will be responsible for any claim, action, loss, damage, liability, injury or death arising out of, or relating to, the operation of your Franchised Business or arising out of, or relating to, your acts or omissions or the acts or omissions of any of your agents, employees or contractors in connection with the operation of your Franchised Business. You agree to indemnify and hold us and our affiliates and our respective officers and directors harmless against and from any and all such claims, actions, losses, liability, damages, injuries, or deaths, including costs and reasonable attorneys’ fees. You will obtain and maintain in force and pay the premiums for general liability insurance with complete operations coverage, broad form contractual liability coverage, property damage, and other insurance (including bonds) in such types as we may require (such as cyber insurance and employment practices insurance), or as required by law from time to time. We will provide minimum insurance requirements in the Operations Manual, which we may update from time to time, and which you must adhere to as updated. All such policies will have minimum limits we may prescribe from time to time, and will be with carriers who have minimum ratings that we may prescribe from time to time. Such insurance policies will expressly protect both you, us and our affiliates and our respective offices, directors and employees, and will require the insurer to defend both you and us in any action you will submit to us, within thirty (30) days of our request, any and all loss ratios or other information we request in connection with such insurance policies. You will furnish to us a copies of all insurance policies, certificates of insurance, endorsements, or other proof of insurance in the form we require, as set forth above, naming us as an additional insured, and providing that such policy will not be canceled, amended or modified except upon thirty (30) days’ prior written notice to us. At our request, you will deliver to us proof of insurance in the form we require and evidence of policy renewals at least thirty (30) business days before expiration. You will have all policies of insurance provide that the insurance company will have no right of subrogation against either party hereto or their respective agents or employees. Maintenance of the insurance requirement will not relieve you of the obligations of indemnification. If you fail to obtain or maintain in force any insurance as required by this Section or to furnish any proof of insurance required hereunder, we may (but have no obligation to), in addition to all other available remedies, obtain such insurance or certificates, and you will promptly reimburse us for all insurance premiums and other costs incurred in obtaining such insurance, including an administrative fee for our time in obtaining the coverage for you. You assume all risks in connection with the adequacy of any insurance or self-insurance program and waive any claim against us for any liability costs or expenses arising out of any uninsured claim, in full or in part, of any nature whatsoever. Your obligation to obtain and maintain these insurance policies in the minimum amounts we require is not limited in any

way by reason of any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in Section 11.2. Your insurance procurement obligations under this Section are separate and independent of your indemnity obligations. We do not represent or warrant that any insurance that you are required to purchase will provide adequate coverage for you. The requirements of insurance specified in this Agreement are for our protection. You should consult with your insurance agents, brokers, attorney or other insurance advisors to determine the level of insurance protection you need in addition to the coverages and limits we require.

13.2. Relationship; Your Indemnification. We and you are independent contractors. Neither we nor you will make any agreements, representations, or warranties in the name of or on behalf of the other or that our relationship is other than franchisor and franchisee. Neither we nor you will be obligated by or have any liability under any agreements, representations or warranties made by the other nor will we be obligated for any damages to any person or property directly or indirectly arising out of the operation of your Franchised Business. You assume sole and complete responsibility for and will defend at your own cost and indemnify, reimburse and hold harmless us, our affiliates and our respective officers and directors from and against all loss, costs, expenses, obligations and damages and liabilities (including defense costs) arising directly or indirectly out of the development or operation of your Franchised Business, including, without limitation, claims relating to your employment practices, equipment selection, and floor plan, you or your employees' actions or inactions and amounts we pay on your behalf. You will have the right to defend any such claim against you. We, using our own counsel, by notice to you, may control any matter in which we are named or directly affected, but this will not affect your liability to pay all attorneys' fees we incur in defending ourselves, which obligation is part of your indemnification obligation. The indemnities and assumptions of liabilities and obligations set forth in this Agreement will continue in full force and effect subsequent to the expiration or termination of this Agreement.

13.3. Our Indemnification. We will indemnify you against and reimburse you for any obligations or liability for damages payable to third parties and attributable to agreements, representations or warranties made by us, or caused by our negligence or willful action (so long as such obligations or liabilities are not asserted on the basis of theories such as agency, apparent agency or vicarious liability or claim of negligent failure to compel your compliance with the provisions of this Agreement, the Manual or any other agreement between you and us), and for costs reasonably incurred by you in the defense of any such claim brought against you or in any action in which you are named as a party, provided that we will have the right to participate in and, to the extent we deem necessary, to control any litigation or proceeding which might result in liability of or expense to you subject to such indemnification.

14. FINANCIAL STATEMENTS AND AUDIT RIGHTS

14.1. Financial Statements. Within thirty (30) days following your fiscal year end, you will, at your own expense, provide us with copies of your financial statements (reviewed by your accountant), including an income statement for the fiscal year just ended and a balance sheet, cash flow statement, and any other document accompanying your financial statements, as of the end of such fiscal year, which financial statements will have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. We will also have the right to request other financial statements, reports and information from you during the year, and you will deliver those financial statements, reports and information to us when, and in the form and manner, we require. Also, on or before April 15 of each year, you shall provide us with a copy of your federal tax return and the federal tax returns of your owners for the previous tax year.

14.2. Review Rights. You will make all of your financial books and records available to us and our designated representatives at all reasonable times for review. Your financial books and records for each fiscal and calendar year will be kept in a secure place and will be available for review by us for at least five (5) years after the end thereof.

15. ASSIGNMENT AND TRANSFER OF THE FRANCHISE AGREEMENT

15.1. By Us. We may transfer or assign this Agreement or any or all of the rights, interests, benefits or obligations arising under it without restriction. Upon any transfer or assignment of this Agreement by us, we will be released from all obligations and liabilities arising or accruing in connection with this Agreement after the date of such transfer or assignment.

15.2. Conditions to Your Transfer or Assignment. This Agreement, and your rights and obligations under it, are and will remain personal to you. As used in this Agreement, the term “Transfer” will mean any sale, lease, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by your disability or death or by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets used to operate your 5 Tacos & Beers business or of any interest in you, or if you are a corporation, partnership, limited liability company or other entity, a transfer, pledge, assignment, or other disposition of direct or indirect control or ownership of twenty-five percent (25%) or more of any interest in your entity. In addition, if there are two (2) individuals signing this Agreement as Franchisee, and one (1) of those individuals is no longer involved in the ownership of your Franchised Business, the withdrawal of that person will be considered a “Transfer.” A “Transfer” will also be deemed to occur when there are more than two (2) people listed as the Franchisee and there is a change in the ownership of your Franchised Business such that less than a majority of the original signers continue to have a majority interest in the equity of the business. You (and your shareholders, partners and members) will not directly or indirectly make a Transfer without our prior written consent and any transfer shall be subject to our right of first refusal, as set forth in Section 19 (“Right of First Refusal”) below. Unless otherwise provided in this Agreement, we will not unreasonably withhold, delay or condition our consent to a Transfer, subject to all of the following conditions being satisfied:

15.2.1. you are in full compliance with this Agreement, you have no uncured defaults, and all your debts and financial obligations to us and our affiliates are current;

15.2.2. you provide us with all information we may require concerning the proposed transaction (including a copy of the purchase agreement and all related documents), and the proposed transferee;

15.2.3. we are satisfied that the proposed transferee (and if the proposed transferee is an entity, all holders of any interest in such entity) meets all of the requirements for our new franchisees, including, but not limited to, good reputation and character, business experience, and financial strength, credit rating and liquidity, and that the sale price is not excessive;

15.2.4. you sign a written agreement in a form satisfactory to us in which you and your investors covenant to observe all applicable post-term obligations and covenants contained in this Agreement and release us and our affiliates from any claims you may have against us, or any further obligations we may have to you;

15.2.5. the proposed transferee enters into a new franchise agreement with us, on the terms we then generally offer to new franchisees (including fees payable and size of territory); provided, however, that no new initial franchise fee will be required to be paid, and further provided that the term of that franchise agreement, unless otherwise agreed, will be the remaining term of your franchise agreement;

15.2.6. the proposed transferee agrees in writing to perform such maintenance, remodeling and re-equipping of your Franchised Location that we determine necessary to bring your Franchised Location in compliance with our then-current standards, including any updates to your technology and security equipment that we determine necessary;

15.2.7. prior to the date of the proposed Transfer, the proposed transferee’s Designated Principal successfully completes such training and instruction as we deem necessary;

15.2.8. you and all holders of an interest in you sign a general release, in the form prescribed by us, releasing, to the fullest extent permitted by law, all claims that you or any of your investors may have against us and our affiliates, including our and their respective shareholders, officers, directors and employees, in both their individual and corporate capacities; and

15.2.9. prior to the Transfer, you pay us a transfer fee of ten thousand dollars (\$10,000).

15.3. Additional Transfer Restrictions. We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 13.2 and may do so in the Manual or otherwise in writing. You consent to our releasing to any proposed transferee any

information concerning your Franchised Business that you have reported to us, or that is in our files or otherwise available to us, including but not limited to financial information.

15.4. Transfer Upon Death or Disability. If a transfer or assignment is caused by your death or incapacity (including the death or incapacity of any person directly or indirectly owning fifty percent (50%) or more of an interest in the entity that is the franchisee under this Agreement), your executor or personal representative must transfer the ownership interest within nine (9) months of date of death or disability. A new Operating Partner must be appointed within sixty (60) days. We may assume your Business's management or appoint an interim manager to operate your Business. The provisions of this Section 13 must be met by the heir or personal representative succeeding to your interest; provided, however, if the heir or personal representative assigns, transfers, or sells its interest in the Franchise. Nothing in this Section 13.2 will be construed as prohibiting your interests from being pledged as security to an institutional lender who has provided financing to or for your Franchised Business, provided the institutional lender accepts such security interest subject to our conditions.

15.5. Acknowledgement of Restrictions. You acknowledge and agree that the restrictions imposed on transfers are reasonable and necessary to protect the goodwill associated with the System and the Marks, as well as our reputation and image, and are for the protection of us, you, and all other franchisees that own and operate Franchised Businesses.

16. OUR TERMINATION RIGHTS

16.1. Without Notice. You will be in default and we may, at our option, terminate this Agreement, without affording you any opportunity to cure the default, effective upon delivery of notice of termination to you, following the occurrence of any of the following events:

16.1.1. You are liquidated or dissolved;

16.1.2. Your Franchised Business is not constructed strictly according to the plans we have approved, and you do not remedy the deficiencies within thirty (30) days after notice from us;

16.1.3. You fail to operate for five (5) consecutive days (unless prevented from so by fire, flood, or acts of nature), or otherwise abandon your Franchised Business, or forfeit the right to do or transact business in the jurisdiction where your Franchised Business is located, or lose the right to possession of the premises in which your Franchised Business operates;

16.1.4. You or any of your owners make an unauthorized Transfer under this Agreement;

16.1.5. You or any of your owners are proven to have engaged in fraudulent conduct, or are convicted of, or plead guilty or no contest to a felony or a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Marks or the goodwill associated therewith;

16.1.6. You are given three (3) or more notices of being in material violation of any of the terms or requirements of this Agreement within any twelve (12) month period, whether or not such defaults are timely cured after notice;

16.1.7. You misuse or make any unauthorized use of the Marks and do not cease such misuse or unauthorized use within twenty-four (24) hours' notice from us;

16.1.8. You, by act or omission, materially impair the value of, or the goodwill associated with, any of the Marks or the System.

16.2. With Notice and Failure to Cure. Except for those defaults provided for under Section 14.1 above, you will be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or any other agreement you or any of your affiliates have with us or with any of our affiliates, or in any Manual, policy or procedure statement or other written document provided by us, or to carry out the terms of this Agreement in good faith. Before we terminate this Agreement as a result of such defaults, we will provide you with thirty (30) days written notice of your default. If the defaults specified in such notice are not cured within the thirty (30) day period (either by you or by any financial institution that has loaned money to you or to your business), we may terminate this Agreement upon the expiration of the thirty (30) day period without further notice. Such defaults will include, without limitation, the occurrence of any of the following events:

16.2.1. You fail to construct, remodel, and commence operating your Franchised Business within twelve (12) months from the Effective Date of this Agreement;

16.2.2. You fail, refuse, or neglect to promptly pay when due any monies owing to us, our affiliates, to the Brand Fund, or to other creditors you have, or to submit the financial or other information required under this Agreement;

16.2.3. A threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business;

16.2.4. You sell non-approved products or services; or

16.2.5. You, by act or omission in connection with the operation of your Franchised Business, permit a continuing violation of any applicable law, ordinance, rule, or regulation of a governmental body; provided, however, that if such act or omission damages the goodwill associated with the System or the Marks, we will have the right to terminate this Agreement if you do not cure such default within twenty-four (24) hours after notice from us.

16.3. Applicable Law. If the provisions of this Section 14 are inconsistent with applicable law, the applicable law will apply.

16.4. Pre-termination Options. Prior to the termination of this Agreement, if you fail to pay any amounts owed to us or our affiliates, fail to comply with any term of this Agreement, or notify us that your Franchised Business is closing, then in addition to our right to terminate this Agreement or to bring a claim for damages, we have the option to:

16.4.1. Prohibit you from selling products and services;

16.4.2. Remove the listing of your Franchised Business from all advertising published or approved by us;

16.4.3. Cease listing your Franchised Business on any Technology Platforms;

16.4.4. Prohibit you from attending any meetings or programs held or sponsored by us;

16.4.5. Terminate your access to any computer system or software we own, maintain, or license to you (whether licensed by us or by one of our affiliates);

16.4.6. Suspend all services we or our affiliates provide to you under this Agreement or otherwise; and/or

16.4.7. Contact your landlord(s), lender(s), suppliers and customers regarding the status of your operations, and provide copies of any default or other notices to your landlord(s), lender(s) and suppliers.

16.5. Our Continuing Rights. Our actions, as outlined in this Section 14.4 may continue until you have brought your accounts current, cured any default, and complied with our requirements, and we have acknowledged the same in writing. The taking of any of the actions permitted in this Section will not suspend or release you from any obligation that would otherwise be owed to us or our affiliates under the terms of this Agreement or otherwise. Further, you acknowledge that the taking of any or all such actions on our part will not deprive you of the most essential benefits of this Agreement and will not constitute a constructive termination of this Agreement.

17. YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any material obligation to you and fail to cure such violation within thirty (30) days after our receipt of written notice from you; provided, however, that you must be in compliance with the Agreement at the time of giving each notice and at the time of termination. Your written notice of our alleged violation must identify the violation, demand that it be cured, and indicate your intent to terminate this Agreement if it is not cured.

18. YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

18.1. Upon termination or expiration of this Agreement, all rights granted to you under this Agreement will terminate, the franchise will revert to us, you specifically authorize us to contact your payment processor and cancel any agreement you may have with that payment processor, and you will have the obligations set forth below, which obligations survive the expiration or termination of this Agreement, along with any other provisions of this Agreement which by their nature may or are to be performed following expiration or termination of this Agreement:

18.1.1. You will immediately cease to operate the business franchised under this Agreement, and will not thereafter, directly or indirectly, represent to the public or hold yourself out as a franchisee of the System with respect to such business.

18.1.2. You will immediately and permanently cease to use, in any manner whatsoever, all confidential information, approved Information System and related software, methods, procedures and techniques used by or associated with the System, and the Marks and distinctive forms, slogans, signs, symbols, logos and devices associated with the System, as well as any name, mark, symbol, logo or slogan similar to any of the Marks. You will also specifically authorize us to physically remove any signage bearing any of the Marks that you may fail to remove. Further, if we elect to remove such signage, you will, upon demand, reimburse us for any costs we incur in doing so.

18.1.3. You will immediately return to us the Manual, all copies or excerpts thereof, and any property held or used by you that is owned by us and will cease to use, and either destroy or convey to us, all signs, advertising materials, displays, stationery, forms and any other materials that bear or display the Marks.

18.1.4. You will take such actions as may be necessary to cancel any assumed name or similar registration that contains the Mark “5 Tacos and Beers” or any other Mark, and will immediately and permanently refrain from and cease all use of the Mark “5 Tacos & Beers” or any other Mark on or in any Technology Platforms and cancel any Technology Platform you control as we direct. You agree and acknowledge that your continued use of the Marks after the expiration or termination of this Agreement will be without our consent and will constitute an “exceptional case” under federal trademark law (15 U.S.C. § 1117) entitling us to recover treble damages, costs and attorneys’ fees.

18.1.5. You will, within ten (10) days after termination or expiration of this Agreement, make such modifications and alterations to your Franchised Business premises as may be necessary to distinguish the appearance of the premises from all attributes of the System and will make such specific additional changes thereto as we may request. You agree that, at a minimum, such modifications will include: (i) removal of all signage; (ii) alteration of the color scheme and decor; and (iii) discontinuation of the use of any item containing any of the Marks.

18.1.6. Within five (5) days after termination, you will pay to us all amounts owed to us under this Agreement, including the Royalty Fees and advertising and marketing fees that would be due through the date this Agreement was scheduled to expire. Further, if this Agreement is terminated for any reason other than as a result of a material breach of this Agreement by us that is not cured within thirty (30) days following notice from you, such sums will include all damages, costs, and expenses, including reasonable attorneys’ fees, incurred by us as a result of the default and the termination. You agree that until such obligations are paid in full, you hereby grant us a lien against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by you and located on your Franchised Business premises on the date this Agreement terminates or expires and authorize us to file financing statements and other documents we deem appropriate to perfect such lien.

18.1.7. If requested by us, you will take all further action and execute all documents necessary to convey and assign to us all telephone and fax numbers that have been used in the operation of your Franchised Business, as well as any other registrations or listings for any Technology Platforms that include the Marks or if we do not so request, you will cease all use of such telephone numbers and Technology Platforms that include the Marks.

18.1.8. You will comply with the covenants contained in this Agreement, including, but not limited to, the covenants not to compete and the covenants not to disclose trade secrets or confidential information.

18.1.9. We may, if you fail or refuse to do so, execute in your name and on your behalf, any and all actions and/or documents that may be necessary to effect your obligations under Sections 16.4 and 16.7, and you hereby irrevocably appoint us as your attorney in fact to do so, which appointment is coupled with an interest.

18.1.10. You will furnish us with written evidence satisfactory to us of compliance with all the obligations set forth in this Section 16 within thirty (30) days after termination or expiration of this Agreement.

18.1.11. Upon expiration or termination of this Agreement, we have the option, upon thirty (30) days’ written notice from the date of expiration or termination, to purchase from you all or any portion

of the tangible and intangible assets relating to the Franchised Business, including your Franchised Business premises if you own the Franchised Business premises (excluding any unsalable inventory, cash, short-term investments and accounts receivable) (collectively, the “Purchased Assets”) and to an assignment of your lease for (1) the Franchised Business premises (or, if an assignment is prohibited, a sublease for the full remaining term under the same provisions as your lease) and (2) any other tangible leased assets used in operating the Franchised Business. We may assign to a third party this option to purchase and assignment of leases separate and apart from the remainder of this Agreement.

18.1.11.1. The purchase price for the assets of the Franchised Business will be the “Book Value” (as defined below) of the Purchased Assets. “Book Value” means the net book value of the Purchased Assets, as disclosed in the last statement of your Franchised Business provided to us before termination or expiration, provided, however, that: (1) each depreciable asset will be valued on a “straight-line” basis without provision for salvage value; (2) we may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (3) we may exclude from Book Value any provision for goodwill or similar value attributable to intangible property. If we are not satisfied with the accuracy or fairness of any financial statements, or none has been submitted, our regularly employed firm of certified public accountants will determine (by audit) the Book Value. We and you will equally bear the cost of the audit. The results of the audit will be final and binding on both parties.

18.1.11.2. The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur no later than sixty (60) days after we deliver notice of our election to purchase the assets of your Franchised Business, unless Book Value is determined by audit, in which case the closing will occur within a reasonable time, not to exceed sixty (60) days, after the results of the audit are made available. At the closing, you will deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to us or our designee and such other documents we may reasonably request to permit us to operate your Franchised Business without interruption. We may set off against and reduce the purchase price by all amounts you owe to us or any of our affiliates. If we exercise our option to purchase your Franchised Business, we may, pending the closing, appoint a manager to maintain your Franchised Business operations.

18.1.11.3. If we assume any leases for the premises for your Franchised Business or if we assume the leases for other tangible leased assets used in your Franchised Business under this Section, you will pay, remove or satisfy any liens or other encumbrances on your leasehold interests and will pay in full all amounts due the lessor under the leases existing at or prior to assumption. We are not liable for any obligation you incur before the date we assume any leases.

19. YOUR COVENANTS NOT TO COMPETE

19.1. During Term. You will not, directly or indirectly, during the term of this Agreement, on your own account or as an employee, consultant, partner, officer, director, shareholder or member of any other person, firm, entity, partnership, corporation or company, own, operate, lease to or lease from, franchise, engage in, be connected with, have any interest in, or assist any person or entity engaged in owning, operating, or managing any other business that derives more than ten percent (10%) of its revenue from Tacos and Mexican style food related products and/or services, wherever located, whether within the Territory or elsewhere. Notwithstanding the foregoing, before you open your Franchised Business (and so long as you do not own any other Franchised Business that is open under any other agreement with us), you may be employed at another business that derives more than ten percent (10%) of its revenue from Taco and Mexican style related products and/or services that is operated at a site other than the one at which your Franchised Business will be located, provided that (i) neither you nor any of your immediate family owns any equity interest in that business and (ii) you terminate your

employment with that business, and any other relationship you have with that business, prior to the date you open your Franchised Business.

19.2. After Expiration, Termination, or Transfer. You will not, directly or indirectly for a period of two (2) years after the transfer by you, or the expiration or termination of this Agreement, on your own account or as an employee, consultant, partner, officer, director, shareholder, lender, or joint venturer of any other person, firm, entity, partnership, corporation or company, own, operate, lease to or lease from, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity that derives more than ten percent (10%) of its revenue from tacos and Mexican styled food related products and/or services, which is located within the Territory or within a twenty (20) mile radius of any 5 Tacos & Beers business, whether owned by us, our affiliates, or a franchisee, wherever located, whether within the Territory or elsewhere.

19.3. Reasonableness. You agree that the scope of the prohibitions set forth in Sections 17.1 and 17.2 are reasonable and necessary to protect us and the System (including other franchisees of the System). You agree that the prohibitions in Section 17.1 must be very broad in order to prevent you from taking information, materials and training we are providing to you on an ongoing basis and using them to either compete with us, or preempt or otherwise restrict our ability to enter new markets. You agree that the time period and the scope of the prohibitions set forth in Section 17.2 are the reasonable and necessary time and distance needed to protect us if this Agreement expires or is terminated for any reason. You also agree that you have many other opportunities available to earn a living, and that these restrictions will not preclude you from engaging in a lawful trade or business for which you otherwise have training or experience.

19.4. Exception. The purchase of a publicly traded security of a corporation engaged in a competitive business or service will not in itself be deemed violative of this Section 17 so long as you do not own, directly or indirectly, more than five percent (5%) of the securities of such corporation.

19.5. Relief. You agree that damages alone cannot adequately compensate us if there is a violation of these noncompetitive covenants and that injunctive relief is essential for our protection. You therefore agree that in case of your alleged breach or violation of this Section, we may seek injunctive relief, in addition to all other remedies that may be available to us at equity or law. You agree that we are not required to show any actual or threatened harm and that we are not required to furnish a bond or other security. In addition, if you violate the restriction provided for in Section 17.B, the period of time during which the restriction will remain in effect and be extended until two (2) years after you cease violating the restriction.

20. ENFORCEMENT

20.1. Injunctive Relief/ Attorneys' Fees. We and you will each be entitled to the entry of temporary restraining orders and temporary and permanent injunctions to (i) enforce your and our rights to terminate this Agreement for the causes set forth in Paragraphs 15 and 16 of this Agreement and (ii) prevent or remedy a breach of this Agreement if that breach could materially impair the goodwill associated with our or your business, including but not limited to, the enforcement of obligations upon termination of this Agreement and the enforcement of the non-compete provisions of this Agreement. You and we will also be entitled to the entry of temporary restraining orders and temporary and permanent injunctions enforcing these provisions. If we are successful in obtaining an injunction, or any other judicial relief or order from an arbitrator against you, or in successfully defending any claim you have brought against us, you will pay us an amount equal to all of our costs of prosecuting and/or defending the action, including reasonable attorneys' fees, costs of investigation, court and arbitration costs, and other litigation or arbitration expenses and interest on such costs. Your and our respective rights to obtain injunctive or other equitable relief is in addition to any other right we or you may have under this Agreement. It will in no way limit or prohibit us from obtaining money damages from you if you breach this Agreement.

20.2. Mediation. Except where it is necessary for either you or us to obtain equitable relief to preserve the goodwill of our respective businesses (including, but not limited to, the enforcement of obligations upon termination of this Agreement and the covenants not to compete contained in this Agreement), you and we each agree to enter into mediation of all disputes involving this Agreement or

any other aspect of the relationship between us, for a minimum of four (4) hours, prior to initiating any legal action or arbitration against the other.

20.2.1. Upon written notice by either you or us, to the other, of your or our desire to mediate, the party receiving the notice will select an independent entity that provides mediation services to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not name such an organization within ten (10) days from the date the notice of intention to mediate is received, then the other party may proceed as if this Section 18.2 did not exist, or, at its option, make the selection of the organization to provide mediation services. If you or we select an organization that is unwilling to serve as mediator, then the other party may select the organization. Once the organization is designated and agrees to accept the appointment as mediator, the organization will be directed to schedule a mediation proceeding at a time mutually convenient to us and to you. The mediation will be held within thirty (30) days following receipt by the mediation organization of notification that its services are requested. If you and we cannot agree on a date for mediation, then the mediation organization will select a date it believes is reasonable for both of us, given all of the claimed conflicts in dates. The person actually mediating the dispute will be required to have at least ten (10) years of experience as either a franchisee or franchisor (or as an officer of such an entity) or in franchise law. You and we will equally share the cost of the mediator. The mediator will select the location for the mediation unless you and we both agree otherwise. The mediation will be held in a metropolitan area with at least 250,000 persons that is not located within one hundred (100) miles of either your principal office or our principal office.

20.2.2. Except for the matters identified above where you or we are permitted to seek injunctive relief without first mediating the dispute, if either party initiates litigation or arbitration without complying with their obligation to mediate in accordance with this paragraph (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section 18.2), then upon petition of whichever of us has a lawsuit or arbitration proceeding brought against us, the court or arbitrator will dismiss the litigation or arbitration without prejudice, and award attorneys' fees and costs to the party seeking dismissal in an amount equal to the attorneys' fees and costs the party seeking dismissal incurred. If the court or arbitrator refuses for any reason to dismiss the action, then regardless of the outcome of the action, or of any award given in the action, the party initiating the litigation or arbitration will be responsible for all attorneys' fees and costs incurred throughout the litigation or arbitration by the other party as damages for failing to comply with the provisions of this Section 18.2.

20.3. Arbitration. Except insofar as you or we elect to enforce this Agreement by judicial process and injunction as provided in Section 18.1 hereof, all disputes and claims arising out of or relating to this Agreement, or to the breach thereof, or to any of our standards or operating procedures, or other obligation of either of yours or ours, or to the breach thereof (including any claim that this Agreement, any provision of this Agreement, any specification, standard, operating procedure or any other obligation of yours or ours is illegal, unenforceable or voidable), or any aspect of the relationship between you and us (even if additional persons are named as parties to such action, but except as may be specifically provided with respect to any financing agreements you have with us or our affiliates, which shall be governed by the enforcement provisions thereof), must be resolved by arbitration in the city in which our principal office is located. Our principal office is currently located in Albany, California. It is our intention that state laws attempting to void out of state forum selection clauses for arbitration be preempted by the Federal Arbitration Act and that arbitration be held in the place designated above.

20.3.1. The arbitration will be held in accordance with the United States Arbitration Act (9 U.S.C. § 1 et seq.), if applicable, and the rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise agreements, if any; otherwise, the general rules of commercial arbitration).

20.3.2. The arbitrator appointed must have at least ten (10) years' experience in franchising or franchise law, and the arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers and limitations of this Agreement. The arbitrator shall have no authority to add, delete or modify in any manner the terms and provisions of this Agreement. All findings, judgments, decisions and awards of the arbitrator will be limited to the dispute or controversy set forth

in the written demand for arbitration and response to that demand. The arbitrator may not award any relief that was not specifically requested by the parties prior to the start of the arbitration hearing. The arbitrator will have the right to award or include in any award the specific performance of this Agreement but will be required to file a reasoned brief with his or her award.

20.3.3. You and we acknowledge that judgment upon an arbitration order may be entered in any court of competent jurisdiction and will be binding, final, and non-appealable, except for mistakes of law, as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Section.

20.3.4. Unless this Agreement is terminated in accordance with the provisions of Paragraphs 15 or 16, during the pendency of any arbitration proceeding, you and we will fully perform the requirements of this Agreement.

20.3.5. If there is any dispute as to whether a particular claim or matter is subject to arbitration, and the matter relates to an issue for which either party seeks an injunction in accordance with the provisions of Section 18.1, the arbitrability of such claim will be determined by the court that would otherwise hear the motion to issue the injunction. In the case of a dispute as to the arbitrability of any other claim brought by either party against the other, the decision as to whether or not the claim is subject to arbitration will be made by the arbitrator appointed in accordance with this Agreement.

20.3.6. All arbitration proceedings will be individual proceedings between you and us, and will not be conducted on a “class” basis, or include any other of our franchisees as named parties unless you and we each agree.

20.3.7. If, after either you or we institute an arbitration proceeding, one or the other asserts a claim, counterclaim or defense, the subject matter of which, under statute or current judicial decision, is non-arbitrable for public policy reasons, the party against whom the claim, counterclaim or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims or defenses or proceed to litigate all claims, counterclaims or defenses in a court having competent jurisdiction.

20.4. Waiver of Punitive Damages. We and you (and your owners and guarantors if applicable) agree to waive, to the fullest extent permitted by law, any right to, or claim for, any punitive or exemplary damages against the other and against any affiliates, owners, employees, or agents of the other and agree that in the event of a dispute between us, each of us will be limited to the recovery of any actual damages sustained by it.

20.5. Venue. We and you (and your owners and guarantors if applicable) each agree that if litigation is permitted under this Agreement, the sole forum for litigation arising under this Agreement, or any aspect of the relationship between us (even if additional parties are named as parties to that litigation) will be the state or federal courts of the county in which our principal office is located. The sole and exclusive venue for those actions shall be the United State District Court in the county where are headquarters are currently located. You and we each waive any objection you or we may have to either the jurisdiction or the venue of such court (except to the extent jurisdiction is preempted by the arbitration provisions of this Agreement), and you and we each consent to personal jurisdiction and venue in such court. However, if we are permitted to seek injunctive relief under this Agreement, we may, at our option, bring that action in the county in which your Franchised Business is located.

20.6. Jury Waiver. YOU AND WE EACH WAIVE THE RIGHT TO A TRIAL BY JURY. This waiver applies to all causes of action that are or might be included in any such action, including claims related to the enforcement or interpretation of this Agreement, allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action and it applies even if persons that are not a party to this Agreement are named as additional parties in the proceeding.

20.7. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having those disputes directly affect the contract or relationship between us. We and you therefore each agree that a decision of an arbitrator or court of law to which one of us is not a party will not prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any action between us. You and we therefore each waive the right to assert that principles of collateral estoppel prevent either you or us from raising any claim or defense in an action between us if either you or we lost a similar claim or defense in another action.

20.8. No Affiliate Liability. No past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of ours or of any of our affiliates will have any liability for (i) any obligations or liabilities we have relating to or arising from this Agreement, or (ii) any claim against us based on, in respect of, or by reason of, the transactions contemplated in this Agreement. This provision will not, however, affect any right, duty or obligation of ours or yours, or of any guarantor of your obligations.

21. RIGHT OF FIRST REFUSAL

If, at any time during the Term of this Agreement, you receive a bona fide offer to purchase or lease your Franchised Business (or if you are a company, partnership or other entity, the equity ownership of you), which offer you are willing to accept, you will communicate in writing to us the full terms of the offer and the name of the offeror. We may elect to purchase or lease the business on the terms set forth in the offer. If we elect to purchase or lease the business, we will give you written notice of the election within fourteen (14) days after we receive your communication of the offer. If we fail to give written notice of election within fourteen (14) days, you may sell or lease to the offeror on the terms offered, subject to the provisions relating to assignment. The sale or lease must, however, be completed within sixty (60) days of the termination of the fourteen (14) day period during which we may give written notice of election to purchase or lease; otherwise, an additional notice must be given to us and an additional option period must expire prior to any such transfer. If we elect to purchase or lease the business, we will have the right to substitute equivalent cash for any non-cash consideration included in the bona fide offer to purchase or lease the business and we and you will use our best efforts to complete the purchase or lease within sixty (60) days from the date of our notice of election to purchase or lease.

22. MISCELLANEOUS

22.1. Unpaid Amounts. Any unpaid amounts owed by you to us or any of our affiliates including any Royalty Fee, advertising fees and product purchases will bear interest at the rate of one and one half percent (1.5%) per month or the maximum rate permitted by law, whichever is less. You must reimburse us and our affiliates for all costs incurred in the collection of unpaid amounts, including attorneys' fees.

22.2. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. You and we will substitute a valid and enforceable provision for any specification, standard, operating procedure, rule or other obligation of either of us, which is determined to be invalid or unenforceable and is not waived by the other party. Such modifications to this Agreement will be effective only in such jurisdiction and will be enforced as originally made and entered into in all other jurisdictions.

22.3. Cumulative Rights. Except as otherwise set forth in this Agreement, our and your rights under this Agreement are cumulative and no exercise or enforcement of any right or remedy under this Agreement will preclude the exercise or enforcement of any other right or remedy under this Agreement or which we or you are entitled by law to enforce.

22.4. Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.) and the Federal Arbitration Act (9 U.S.C. §1 et seq.), this Agreement and the franchise relationship will be governed by the laws of the state in which the Franchised Business is located. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

22.5. Disavowal of Oral Representations. You and we acknowledge that we want all terms of our business relationship to be defined in this written agreement, and that neither of us wants to enter into a business relationship with the other in which any terms or obligations are subject to any 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 as set forth in this Agreement. Therefore, you and we agree that this Agreement will supersede and cancel any prior and/or contemporaneous discussions between us. We each agree that we placed, and will place, no reliance on any such discussions. You agree that no representations have been made to you concerning this Agreement or the System other than as contained in this Agreement and in the Franchise Disclosure Document you received before you signed this Agreement (the “FDD”). You agree that no claims, representations or warranties of earnings, sales, profits, or success of your Franchised Business have been made to you other than as set forth in Item 19 of the FDD.

22.6. Approvals. Wherever our consent or approval is required in this Agreement, unless the provision specifically indicates otherwise, we have the right to withhold our approval in our discretion, for any reason, or for no reason. When the terms of this Agreement specifically require that we not unreasonably withhold our approval or consent, if you are in default or breach under this Agreement, any withholding of our approval or consent will be considered reasonable. Our approvals and consents will not be effective unless given in writing.

22.7. Interpretation. It is the desire and intent of you and us that the provisions of this Agreement be enforced to the fullest extent possible under the applicable laws and public policies. Therefore, if any provision of this Agreement is determined by a court or arbitrator to be invalid or unenforceable, that determination will apply only to the operation of that provision in the particular proceeding in which the determination is made. We and you agree that if any provision of this Agreement is capable of two (2) constructions, one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render the provision valid and enforceable, the provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Agreement will be construed simply according to its fair meaning and not strictly against you or us.

22.8. Waiver. Except as otherwise provided in this Section, neither of us will be deemed to have waived any obligation of the other, or to have agreed to any modification of this Agreement, unless we have done so in writing, and the writing is signed by the person giving the waiver or agreeing to the modification. However, you agree that you will give us immediate written notice of any claimed breach or violation of this Agreement as soon as possible after you have knowledge, or determine, or are of the opinion, that there has been a breach or violation by us of this Agreement. If you fail to give written notice to us of any claimed misrepresentation, violation of law, or breach of this Agreement within one (1) year from the date you have knowledge, determine, are of the opinion, or become aware of facts and circumstances reasonably indicating, that you may have a claim against us or against any of our affiliates under any state law, federal law, or common law, then the misrepresentation, violation of law, or breach will be considered to have been condoned, approved and waived by you, and you will be barred from beginning any legal, arbitration, or other action against us or against our affiliates, or from instituting any counterclaim against us or our affiliates, for the misrepresentation, violation of law, or breach, or from using the alleged act or omission as a defense to any action we may maintain against you.

22.9. Time. Time is of the essence to this Agreement.

22.10. Counterparts. This Agreement may be signed in counterparts, each of which will be considered as an original.

22.11. Entire Agreement. The preambles are a part of this Agreement. This Agreement, together with its exhibits, constitutes the entire agreement between you and us with respect to your Franchised Business and any other aspect of the relationship we have with you, and cannot be amended except by a written agreement signed by you and us. This Agreement also supersedes all prior agreements and negotiations we have had with you related to your acquisition of this franchise or your and our rights and obligations. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made to you in the FDD.

22.12. Headings and Terms. The headings of the Sections hereof are for convenience only and do not define, limit or construe the contents of such Sections. The term “you” as used herein is applicable to one or more persons, a corporation, a partnership or limited liability company, and each of their respective owners, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If more than one person executes this Agreement for you, then your obligations are joint and several.

22.13. Patriot Act. You represent and warrant that to your actual and constructive knowledge: (i) neither you (including your directors, officers and managers), nor any of your affiliates, or any funding source for your Franchised Business, are identified on the list at the United States Treasury's Office of Foreign Assets Control (OFAC); (ii) neither you nor any of your affiliates are directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither you nor any of your affiliates are acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither you nor any of your affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (v) neither you nor any of your affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of this Agreement, neither you nor any of your affiliates will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. You agree to notify us in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

22.14. Personal Guaranty. All of your owners (if you are a corporation, partnership, limited liability company or partnership, or other entity) will sign the personal guaranty agreement in the form attached to this Agreement (the "Guaranty Agreement"). Any person or entity that at any time after the Effective Date of this Agreement becomes an owner of yours will, as a condition of becoming an owner, sign the Guaranty Agreement. In addition, a spouse of an owner and any other person we designate must also sign the Guaranty Agreement.

23. NOTICES

Any and all notices required or permitted under this Agreement will be in writing and will be deemed to have been duly given upon the earlier of (i) when received; (ii) one (1) business day after placement with a reputable national overnight carrier; or (iii) three (3) business days after deposit (not including the day of deposit), if placed in the mail for delivery by certified mail, postage pre-paid, and, in the cases of clauses (ii) or (iii), addressed to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notice to us: 5 Tacos and Beers Franchising, LLC
1275 Solano Ave.
Albany, CA, 94706
Attn: Lito Saldana

Additional Notice: Franchise.Law
3540 Toringdon Way, Suite 200
Charlotte, North Carolina 28277

Notice to You: See Rider

24. ACKNOWLEDGEMENTS

24.1. Independent Investigation. You acknowledge that you have conducted an independent investigation of the business franchised under this Agreement, and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon your ability as an independent businessperson.

24.2. Franchise Agreement. You acknowledge that you have received, read, and understood this Agreement and that we have fully and adequately explained the provisions of it to your satisfaction and that we have accorded you time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement.

ATTACHMENTS:

ATTACHMENT A – FRANCHISE AGREEMENT RIDER

ATTACHMENT B - PERSONAL GUARANTY

ATTACHMENT C – LEASE RIDER

ATTACHMENT D – STATE SPECIFIC ADDENDA

ATTACHMENT A TO THE FRANCHISE AGREEMENT

FRANCHISE AGREEMENT RIDER

Franchisee: _____

1. Effective Date: _____
2. Franchise Agreement Under Area Development Agreement (check one):
 - ☐ Not Applicable (No Area Development Agreement)
 - ☐ 1st Franchise Agreement
 - ☐ 2nd Franchise Agreement
 - ☐ 3rd Franchise Agreement
 - ☐ 4th Franchise Agreement
 - ☐ 5th Franchise Agreement
 - ☐ _____ Franchise Agreement (Insert Number if Higher than 5th)
3. Franchised Location:

If no location has been determined at the time this Franchise Agreement has been executed, then the Franchised Location shall be within the following area, provided the exact location shall be subject to our review and approval:

_____.

If the above-named location specifies a location yet to be determined, we reserve the right to sell franchises, and grant territories to others who will operate Franchised Businesses in and around the above-described location. You may then be required to choose a final location outside of any territory given to any other franchisee, and that territory may be outside of the city or areas identified above. Should this happen, you would have to obtain our review and approval for a new location. Likewise, if you choose to move your final address at any time, or if the location set forth above, or any other location we agree upon, becomes unavailable for any reason, it is your obligation to select a new location, and to obtain our approval of that location before you acquire the site, or obtain any rights in the location.

4. Territory:

[Continues on the next page]

5. Ownership: Franchisee represents and warrants that any entity to which this Agreement will be transferred will have the initial ownership set forth below, and that no changes will be made in such ownership without the prior written approval of Franchisor:

Name	Percentage of Ownership
_____	_____
_____	_____
_____	_____

6. Designated Principal: _____

7. Initial Franchise Fee: _____

8. Address for notice to you: _____

IN WITNESS WHEREOF, we and you have signed this Agreement as of the Effective Date set forth above.

Franchisor:

5 Tacos and Beers Franchising, LLC

Franchisee:

By: _____

Print Name: _____

Its: _____

Date: _____

By: _____

Print Name: _____

Its: _____

Date: _____

ATTACHMENT B TO THE FRANCHISE AGREEMENT

PERSONAL GUARANTY

In consideration of the execution of the Franchise Agreement (the “Agreement”) between 5 Tacos and Beers Franchising, LLC (“we” or “us”) and _____ (the “Franchisee”), dated _____, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Agreement, to be paid, kept and performed by the Franchisee, including without limitation the dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of the Agreement.

The undersigned waive (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the Franchisee or any other person as a condition of liability; and (4) notice of any changes permitted by the terms of the Agreement or agreed to by the Franchisee.

In addition, the undersigned consents and agrees that: (1) the undersigned’s liability will not be contingent or conditioned upon our pursuit of any remedies against the Franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by the Franchisee’s insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned; and (3) this Personal Guaranty will apply in all modifications to the Agreement of any nature agreed to by Franchisee with or without the undersigned receiving notice thereof.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of our successors and assigns.

PERSONAL GUARANTORS:

Individually

Individually

Print Name

Print Name

ATTACHMENT C TO THE FRANCHISE AGREEMENT

LEASE RIDER

This Lease Rider is made and entered into as of _____ by and among 5 Tacos and Beers Franchising, LLC, a California limited liability company ("Franchisor"), _____, a _____ ("Tenant/Operator") and _____, a _____ ("Landlord").

RECITALS

Tenant/Operator and Landlord desire to enter into a lease (the "Lease") pursuant to which Tenant/Operator will occupy and finish the premises located at _____ (the "Premises") for use and operation of a 5 Tacos & Beers store (the "Store") authorized under a Franchise Agreement to be executed between Franchisor and Tenant/Operator prior to the opening of the Store (the "Franchise Agreement"). As a condition to Franchisor's approval of the Premises as the location for the Store, the Tenant/Operator is required under the Franchise Agreement to execute this Lease Rider along with the Landlord and Franchisor.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

(1) During the term of the Franchise Agreement, the Premises shall be used only for the operation of the Store.

(2) Landlord consents to Tenant/Operator's use and display of such proprietary marks (the "Proprietary Marks") and signs, decor items, color schemes, plans, specifications and related components of the 5 Tacos & Beers system (the "System") as Franchisor has prescribed, and may in the future prescribe, for the Store. Landlord affirms that the Lease does not prohibit the service of any menu items of the current System, based on the menu provided to Landlord.

(3) Landlord agrees to send Franchisor conformed, legible copies of any and all letters and notices sent to Tenant/Operator pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Tenant/Operator.

(4) Franchisor shall have the right, and Landlord consents to allow Franchisor, to enter the Premises during hours when the Premises is available for tenant entry to make any modification or alteration necessary to protect the Store, the System and Proprietary Marks or to cure any default under the Franchise Agreement, or under the Lease, without being guilty of trespass or any other crime or tort.

(5) In the event of Tenant/Operator's default under the Lease, Franchisor may, but has no obligation, to cure the default. Franchisor shall make this determination within thirty (30) days after Franchisor receives notice of the Lease default from Landlord. If Franchisor elects to cure the default, Franchisor shall cure the default within thirty (30) days of such election or, if the default cannot be reasonably cured within such thirty (30) day period, then Franchisor shall commence and proceed to act diligently to cure the default within such time as is reasonably necessary to cure the default.

(6) Franchisor has an option to acquire the Store from Tenant/Operator if the Franchise Agreement expires or terminates. If Franchisor exercises the option, it will notify Landlord when it notifies Tenant/Operator. If Franchisor so exercises its option, or makes a different arrangement with Tenant/Operator to acquire the Store, then Landlord shall permit Tenant/Operator to assign the Lease to Franchisor or to Franchisor's affiliated assignee or designee as successor-in-interest ("Successor") to Tenant/Operator, which shall be obligated to assume Tenant/Operator's obligations under the Lease. Successor shall attorn to Landlord under the Lease and Landlord shall attorn to and agree not to disturb

the tenancy of Successor. In such event Successor shall assume Tenant/Operator's occupancy rights, rights under any renewal or purchase options, and the right to sublease the Premises, for the remainder of the term of the Lease including any applicable renewal periods.

(7) Landlord hereby consents to such assignment and agrees not to impose or assess any assignment fee or similar charge or increase or accelerate rent under the Lease in connection with such assignment or require Successor to pay any rent or other financial obligation of Tenant/Operator to Landlord arising prior to the assignment. Landlord agrees to look solely to the Tenant/Operator and its guarantors for any rents or other financial obligations owed to Landlord arising prior to such assignment. Landlord and Tenant/Operator acknowledge that Franchisor is not a party to the Lease and shall have no liability under the Lease, unless and until the Lease is assigned to, and assumed by Franchisor as Successor.

(8) Notwithstanding anything contained in this Lease Rider and in the Lease, Successor is expressly authorized, without the consent of the Landlord, to sublet the Leased Premises to an authorized System franchisee, provided such subletting is specifically subject to the terms of the Lease and further provided the franchisee expressly assumes in writing all obligations of the Lease. Franchisor agrees to notify Landlord as to the name of the franchisee within (10) days after such subletting.

(9) Tenant/Operator shall not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor.

(10) Landlord and Tenant/Operator shall not amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing without the prior written consent of Franchisor.

(11) This Lease Rider will supersede any conflicting terms of the Lease.

[Signatures on Following Page]

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

FRANCHISOR

5 Tacos and Beers Franchising, LLC

By: _____

Name: _____

Title: _____

TENANT/OPERATOR

By: _____

Name: _____

Title: _____

LANDLORD

By: _____

Name: _____

Title: _____

ATTACHMENT D TO THE FRANCHISE AGREEMENT

STATE SPECIFIC ADDENDA

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the 5 Tacos and Beers Franchising, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all 5 Tacos and Beers Franchising, LLC franchises offered and sold in the State of California:

This California Addendum is only applicable if you are a resident of California or if your business is located in California.

1. Section 2.1 of the Franchise Agreement is hereby deleted in its entirety, and replaced by the following:

A. Initial Term. The term of this Agreement is for ten (10) years, commencing on the Effective Date of this Agreement, unless terminated earlier as provided in this Agreement. However, by the end of the fifth year following the opening of your Franchised Business, you must make, or provide for in a manner satisfactory to us, such renovation and equipping of your 5 Tacos & Beers business as we deem appropriate to reflect the then current standards and image of the System, including, without limitation, renovation or replacement of signs, equipment, furnishings, fixtures and décor.

2. The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043), provides franchisees with additional rights concerning termination and non-renewal of the Franchise Agreement and certain provisions of the Franchise Agreement relating to termination and non-renewal may be superseded by the Act. There may also be court decisions which may supersede the Franchise Agreement and your relationship with Franchisor, including the areas of termination and renewal of Franchisee's franchise. If the Franchise Agreement is inconsistent with the law, the law will control.

3. The Franchise Agreement requires Franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 - 20043)). To the extent required by such laws, Franchisee shall not be required to execute a general release.

4. The Franchise Agreement requires application of the laws in the state where the Franchised Business is located. This provision may not be enforceable under California law.

5. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

6. The provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under Title 11, United States Code, Section 101.

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

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

Franchisor:

5 Tacos and Beers Franchising, LLC

By: _____

Print Name: _____

Its: _____

Date: _____

Franchisee:

By: _____

Print Name: _____

Its: _____

Date: _____

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the 5 Tacos and Beers Franchising, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all 5 Tacos and Beers Franchising, LLC franchises offered and sold in the State of Illinois:

1. Illinois law shall apply to and govern the Franchise Agreement.
2. In Conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees' rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

Franchisor:

5 Tacos and Beers Franchising, LLC

By: _____

Print Name: _____

Its: _____

Date: _____

Franchisee:

By: _____

Print Name: _____

Its: _____

Date: _____

INDIANA ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the 5 Tacos and Beers Franchising, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all 5 Tacos and Beers Franchising, LLC franchises offered and sold in the State of Indiana:

This Indiana Addendum is only applicable if you are a resident of Indiana or if your business is located in Indiana.

1. Section 17.2 of the Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

“B. After Expiration, Termination or Transfer. You will not, directly or indirectly for a period of two (2) years after the transfer by you, or the expiration or termination of this Agreement, on your own account or as an employee, consultant, partner, officer, director, shareholder, lender, or joint venturer of any other person, firm, entity, partnership, corporation or company, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any business that derives more than 10% of its revenue from the sale of coffee, which is located within the Protected Territory.”

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

Franchisor:

5 Tacos and Beers Franchising, LLC

By: _____

Print Name: _____

Its: _____

Date: _____

Franchisee:

By: _____

Print Name: _____

Its: _____

Date: _____

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the 5 Tacos and Beers Franchising, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all 5 Tacos and Beers Franchising, LLC franchises offered and sold in the State of Maryland:

1. Section 13.2 of the Franchise Agreement is revised to provide that, pursuant to COMAR 02.02.08.16L, the general release required as a condition to renewal, sale or consent to assignment/transfer, shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Section 14 of the Franchise Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but Franchisor intends to enforce it to the extent enforceable.
3. Section 18.5 of the Franchise Agreement is revised to include the following language:

“Notwithstanding the standing provisions of this section, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.”
4. The representations made in the Franchise Agreement are not intended to nor should they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
5. Each provision to this Addendum to the Franchise Agreement shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.
6. The Franchise Agreement states that the law where the Franchised Business is located generally applies. However, the conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Maryland law, and we will comply with the law in Maryland.
7. Notwithstanding anything to the contrary in the Franchise Agreement, nothing will prevent the Franchisee from filing suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signatures on following page]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

Franchisor:

5 Tacos and Beers Franchising, LLC

By: _____

Print Name: _____

Its: _____

Date: _____

Franchisee:

By: _____

Print Name: _____

Its: _____

Date: _____

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the 5 Tacos and Beers Franchising, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all 5 Tacos and Beers Franchising, LLC franchises offered and sold in the State of Minnesota:

This Minnesota Addendum is only applicable if you are a resident of Minnesota or if your business will be located in Minnesota.

1. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. Franchisor will comply with Minn. Stat. Section 80C.14, subds. 3, 4 and 5, which require, except in certain specified cases, that the Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

3. Section 3 is revised to include the following:

“To the extent required by the Minnesota Franchise Act, Franchisor will protect your rights to use the trademarks, service marks, trade names, logos and other commercial symbols, or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding your use of the marks, provided you are using the Names and Marks in accordance with this Agreement.”

4. Franchisor shall not require Franchisee to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

Franchisor:

5 Tacos and Beers Franchising, LLC

By: _____

Print Name: _____

Its: _____

Date: _____

Franchisee:

By: _____

Print Name: _____

Its: _____

Date: _____

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the 5 Tacos and Beers Franchising, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all 5 Tacos and Beers Franchising, LLC franchises offered and sold in the State of North Dakota:

This North Dakota Addendum is only applicable if you are a resident of North Dakota or if your business will be located in North Dakota.

1. Section 16 of the Franchise Agreement is modified to delete any requirement that franchisee consent to termination penalties or liquidated damages.
2. Section 17 of the Franchise Agreement is amended by adding the following language at the end:

“Covenants not to compete, such as those mentioned in this Section 17, are subject to Section 9-08-06 of the North Dakota Codified Code.”

3. Sections 18.4, 18.5 and 18.6 of the Franchise Agreement are deleted in their entirety.
4. Section 20 of the Franchise Agreement is amended to provide that the Franchise Agreement will be governed by the laws of the State of North Dakota.
5. Section 2 of the Franchise Agreement is amended by deleting clause 2.8 thereof.
6. No provision of the Franchise Agreement shall be interpreted to accelerate any statute of limitations contained in any provision of the North Dakota Codified Code.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

Franchisor:

5 Tacos and Beers Franchising, LLC

By: _____

Print Name: _____

Its: _____

Date: _____

Franchisee:

By: _____

Print Name: _____

Its: _____

Date: _____

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the 5 Tacos and Beers Franchising, LLC Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all 5 Tacos and Beers Franchising, LLC franchises offered and sold in the State of Rhode Island:

This Rhode Island Addendum is only applicable if you are a resident of Rhode Island or if your business will be located in Rhode Island.

1. Section 18 of the Franchise Agreement is supplemented by the addition of the following:

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

Act (§§ 19-28.1-1 through 19- 28.1-34) are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

Franchisor:

5 Tacos and Beers Franchising, LLC

By: _____

Print Name: _____

Its: _____

Date: _____

Franchisee:

By: _____

Print Name: _____

Its: _____

Date: _____

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT, AND RELATED AGREEMENTS**

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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

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

[Signatures on following page]

The undersigned does hereby acknowledge receipt of this addendum.

Franchisor:

5 Tacos and Beers Franchising, LLC

By: _____

Print Name: _____

Its: _____

Date: _____

Franchisee:

By: _____

Print Name: _____

Its: _____

Date: _____

ATTACHMENT E
EFT AUTHORIZATION FORM

Bank Name: _____

ABA# : _____

Acct. No.: _____

Acct. Name: _____

Effective as of the date of the signature below, **[Franchisee Name]** (the “Franchisee”) hereby authorizes 5 Tacos and Beers Franchise, LLC (the “Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the franchise agreement dated _____ (the “Franchise Agreement”) for the franchised business located at: _____ (the “Franchised Business”): (i) all Royalty Fees; (ii) Fund Contributions; (iii) any amounts due and owing the Company or its affiliates in connection with marketing materials or other supplies or inventory that is provided by Company or its affiliates; and (iv) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement.

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a weekly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company. **[Franchisee Name]** shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

FRANCHISEE

[INSERT FRANCHISEE NAME]

By: _____

Name (Print): _____

Its: _____

FRANCHISOR APPROVAL

5 TACOS AND BEERS FRANCHISING, LLC

By: _____

Name (Print): _____

Its: _____

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

EXHIBIT B

AREA DEVELOPMENT AGREEMENT

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (“Agreement”) is made and entered into effective on the date set forth in Attachment “A” of this Agreement between 5 Tacos and Beers Franchising, LLC, a California limited liability company (“we”, “us” or “our”), and the area developer identified in, and having the principal address set forth in, Attachment “A” of this Agreement (hereinafter “you,” “your” or “Area Developer”). If more than one person or entity is listed as Area Developer, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Agreement.

WITNESSETH:

WHEREAS, we and our affiliates have designed and developed a method of developing and operating Mexican style restaurants serving fresh, tacos, craft beer, and other menu items under the trade name “5 Tacos and Beers”. The businesses (“5 Tacos and Beers Business”) have distinctive business formats, methods, procedures, designs, layouts, standards and specifications, all of which we may improve, further develop and otherwise modify from time to time. Our system (the “System”) includes, but is not limited to, uniform formats, designs, systems, methods, specifications, standards and procedures, all of which may be changed, updated, improved and further developed by us from time to time;

WHEREAS, we and our affiliates have developed and use, promote and license certain trademarks, service marks and other commercial symbols in operating 5 Tacos and Beers Businesses, including the mark “5 Tacos and Beers,” which has gained and will continue to gain public acceptance and goodwill, and we may create, use and license other trademarks, service marks and commercial symbols for use in operating 5 Tacos and Beers Businesses (collectively, the “Marks”);

WHEREAS, we and our affiliates continue to develop, use and control the use of such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System’s high standards of quality, appearance and service;

WHEREAS, you wish to obtain certain development rights to open and operate 5 Tacos and Beers Businesses operating under the Marks under the System within the Development Area described in this Agreement; and

WHEREAS, in addition to this Agreement, we and you have entered into a franchise agreement on the same date (“Initial Franchise Agreement”) for the right to establish and operate the first 5 Tacos and Beers Business to be developed by you under this Agreement (“Initial Business”).

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party stated herein, hereby agree as follows:

SECTION 1: GRANT

1.1 We hereby grant to you, pursuant to the terms and conditions of this Agreement, certain development rights (“Development Rights”) to establish and operate the number of 5 Tacos and Beers Businesses identified in Attachment “A”, and to use the System solely in connection therewith at specific locations to be designated in separate franchise agreements executed as provided in Section 3.1 hereof, and pursuant to the schedule established in Attachment “C” of this Agreement (“Development Schedule”). Each 5 Tacos and Beers Business developed hereunder shall be located in the area described in Attachment “B” of this Agreement (“Development Area”). Enclosed malls, institutions (such as hospitals), colleges,

universities, train stations, bus stations, airports, parks (including theme parks), sports arenas, convention centers and other facilities or venues where events are scheduled are excluded from the Development Area.

1.2 The Initial Franchise Agreement shall be executed and delivered, concurrently with the execution and delivery of this Agreement. Each subsequent 5 Tacos and Beers Business for which a Development Right is granted hereunder shall be established and operated pursuant to the form of franchise agreement then being used, which is to be entered into between you and us in accordance with Section 3 hereof. You acknowledge that the then-current form of franchise agreement may differ from the Initial Franchise Agreement, except that each shall have the same royalty rate as the Initial Franchise Agreement.

1.3 Except as otherwise provided in this Agreement, we shall not establish, nor franchise anyone other than you to establish, a 5 Tacos and Beers Business in the Development Area during the term of this Agreement, provided you are not in default hereunder.

1.4 This Agreement is not a franchise agreement and does not grant to you any right to use the Marks or System unless a franchise agreement is in effect.

1.5 You shall have no right under this Agreement to franchise others under the Marks or System.

SECTION 2: DEVELOPMENT FEE

In consideration of the Development Rights granted herein, you shall pay to us a development fee (“Development Fee”) in the amount set forth in Attachment “A” of this Agreement, depending on the total number of 5 Tacos and Beers Businesses you have agreed to develop. The Development Fee is payable in a lump sum upon execution of this Agreement and is not refundable under any circumstances, regardless of whether you open any of the 5 Tacos and Beers Businesses under this Agreement. Upon signing the first Franchise Agreement in connection with this Agreement, a portion of the Development Fee will be applied towards the Initial Franchise Fee due under such Franchise Agreement. Thereafter, a portion of the remaining Development Fee will be applied toward fifty percent (50%) of the Initial Franchise Fee due upon the signing of each subsequent Franchise Agreement executed pursuant to the Development Schedule.

SECTION 3: SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

3.1 You shall assume all responsibility and expense for locating potential sites for 5 Tacos and Beers Businesses. You shall obtain our written acceptance of any proposed site for the 5 Tacos and Beers Business in accordance with our procedures, which acceptance will not be unreasonably withheld. Unless we provide our specific acceptance of your proposed site, the site is deemed unaccepted. Unless we provide our specific acceptance of a proposed site, the site is deemed not accepted.

3.2 Recognizing that time is of the essence, you agree to exercise each of the Development Rights granted hereunder in the manner specified herein, and to satisfy the Development Schedule in a timely manner. Your failure to adhere to the Development Schedule, will constitute a material event of default under this Agreement for which we may exercise its rights under Section 9.1 and 9.2 of this Agreement. Under no circumstances, however, may you open a 5 Tacos and Beers Business unless and until there is a fully executed franchise agreement in place for such 5 Tacos and Beers Business and you have complied with all requirements under the franchise agreement for opening such 5 Tacos and Beers Business.

3.3 You shall exercise each Development Right granted herein only by executing a franchise agreement for each 5 Tacos and Beers Business at a site accepted by us in the Development Area. The

Initial Franchise Agreement for the first Development Right exercised hereunder has been executed contemporaneously with this Agreement. The franchise agreement for each additional Development Right exercised hereunder shall be the then-current franchise agreement. We will have the number of days listed in the franchise agreement after we receive all needed information to accept or reject your proposed site for each 5 Tacos and Beers Business. For each accepted 5 Tacos and Beers Business site, you must execute the then-current franchise agreement and return it to us within fourteen (14) days after your receipt of said franchise agreement. In the event we do not receive the properly executed franchise agreement within said fourteen (14) days from delivery thereof to you, our acceptance of the site shall be void, you shall have no rights with respect to said site and you shall be in default under this Agreement.

3.4 You acknowledge that our acceptance of a particular site for a 5 Tacos and Beers Business by us shall not be deemed to be an assurance or guaranty that the 5 Tacos and Beers Business will operate successfully or at a profit from such site.

SECTION 4: DEVELOPMENT RIGHTS AND OBLIGATIONS

4.1 Subject to the provisions of this Agreement, we grant to you the Development Rights, as described in Section 1.1.

4.2 Provided you are in full compliance with all the terms and conditions of this Agreement, including without limitation your development obligations described in Section 3.2, and you are in full compliance with all of your obligations under all franchise agreements executed pursuant to this Agreement, then during the term of this Agreement neither we nor any of our affiliates will develop or operate or grant franchises for the development or operation of 5 Tacos and Beers Businesses within the Development Area, except the franchises that are granted to you pursuant to this Agreement and except as otherwise expressly provided in this Agreement. You acknowledge that the Development Area may already include existing 5 Tacos and Beers Businesses, and that you may not develop a 5 Tacos and Beers Business that infringes on the territorial rights of a then-existing 5 Tacos and Beers Businesses.

4.3 Upon the termination or expiration of this Agreement: (a) you shall have no further right to construct, equip, own, open or operate additional 5 Tacos and Beers Businesses which are not, at the time of such termination or expiration, the subject of a then-existing franchise agreement between you and us, which is then in full force and effect; and (b) we and our affiliates shall have the right to develop and operate, and to grant to others development rights and franchises to develop and operate, 5 Tacos and Beers Businesses within the Development Area subject only to the territorial rights granted to you with respect to 5 Tacos and Beers Businesses operated by you pursuant to the franchise agreements.

4.4 Except as expressly limited by Section 3.2 above, we and our affiliates retain all rights with respect to 5 Tacos and Beers Businesses, the Marks and the sale of any goods and services, anywhere in the world, including, without limitation, the right:

4.4.1 to offer and sell and to grant others the right to offer and sell the products and services offered at 5 Tacos and Beers Businesses, within or outside the Development Area, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate;

4.4.2 to own, franchise, establish and license to others to establish or operate 5 Tacos and Beers Businesses at any location outside the Development Area and on any terms and conditions we deem appropriate and regardless of proximity to your 5 Tacos and Beers Businesses;

4.4.3 to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Development

Area. This includes, but is not limited to, other channels of distribution such as catalog sales, fairs, expos, pet shows and the like, telemarketing or other direct marketing sales or over the Internet (together, the “Alternative Distribution Channels”). You may not use Alternative Distribution Channels to make sales outside or inside your Development Area and you will not receive any compensation for our sales through Alternative Distribution Channels;

4.4.4 to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business, whether franchised or corporately owned, including a business that competes directly with your 5 Tacos and Beers Businesses, wherever located; provided that in such situations, the newly acquired businesses may not operate under the Marks in the Development Area;

4.4.5 the right to implement multi-area marketing programs, which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs; and

4.4.6 to engage in any other business activities not expressly prohibited by the Agreement, both within and outside your Development Area.

We are not required to pay you if we exercise any of the rights specified above within the Development Area. We do not pay compensation for soliciting or accepting orders inside the Development Area.

SECTION 5: RENEWAL

There is no renewal period. Upon expiration of this Agreement you may enter into our then-current area development agreement, subject to our approval and availability.

SECTION 6: TERM

Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all Development Rights granted hereunder shall expire on the earlier of: (a) the termination date listed on Section 2 of Attachment “C”; or (b) completion of the obligations of the Development Schedule.

SECTION 7: YOUR OBLIGATIONS

7.1 You acknowledge and agree that:

7.1.1 Except as otherwise provided herein, this Agreement includes only the right to select sites for the establishment of 5 Tacos and Beers Business and to submit the same to us for our acceptance in accordance with the terms of this Agreement. This Agreement does not include the grant of a license by us to you of any rights to use the Marks, the System, or to open or operate any 5 Tacos and Beers Businesses within the Development Area. You shall obtain the license to use such additional rights at each 5 Tacos and Beers Business upon the execution of each franchise agreement by both you and us and only in accordance with the terms of each franchise agreement.

7.1.2 The Development Rights granted hereunder are personal to you and cannot be sold, assigned, transferred or encumbered, in whole or in part, except as stated in Section 11 hereof. The provisions of this Section 7.1.2 shall not restrict you from transferring an open and operating 5 Tacos and

Beers Business in compliance with the assignment provisions contained in such 5 Tacos and Beers Business' franchise agreement.

7.1.3 You have sole responsibility for the performance of all obligations arising out of the operation of your 5 Tacos and Beers Businesses developed under this Agreement, including, but not limited to, the payment when due of any and all taxes levied or assessed by reason of such operation.

7.1.4 In all public records, in your relationship with other persons, and in any documents, you shall clearly indicate the independent ownership of your 5 Tacos and Beers Business and that the operations of said 5 Tacos and Beers Business are separate and distinct from the operation of your business as an area developer.

7.1.5 You shall, at all times, preserve in confidence any and all materials and information furnished or disclosed to you by us and you shall disclose such information or materials only to such of your employees or agents who must have access to it in connection with their employment. You shall not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.1.6 You shall comply with all requirements of federal, state and local laws, rules and regulations.

7.1.7 You shall at no time have the right to sub-franchise any of your Development Rights hereunder.

7.1.8 In no event shall any 5 Tacos and Beers Business be opened for business unless and until a franchise agreement for such 5 Tacos and Beers Business has been fully executed, all applicable fees (including, but not limited to, the initial franchise fee for such 5 Tacos and Beers Business) have been paid, and you have complied with all of the requirements under the franchise agreement for opening such 5 Tacos and Beers Business.

SECTION 8: OUR SERVICES

We shall, at our expense, provide the following services:

8.1 Review your site selection for conformity to our standards and criteria for selection and acquisition of sites upon our receipt of your written request for acceptance thereof.

8.2 Provide you with standard specifications and layouts for the interior and exterior design, improvements, equipment, furnishings, décor and signs identified with the 5 Tacos and Beers Businesses as we make available to all area developers and franchisees from time to time.

8.3 Review of your site plan and final build-out plans and specifications for conformity to the construction standards and design specifications of the System, upon our receipt of your written request for acceptance thereof.

8.4 Provide on-site evaluations as we deem necessary, and such other resources and assistance as may hereafter be developed and offered by us to our other area developers in our sole discretion.

SECTION 9: DEFAULT AND TERMINATION

9.1 The occurrence of any of the following events of default shall constitute good cause for us, at our option and without prejudice to any other rights or remedies provided for hereunder or by law or equity, to terminate this Agreement upon notice to you without opportunity to cure the default, except where prohibited by any applicable state or federal law, whereupon this Agreement immediately shall be terminated in accordance with the provisions of any such law:

9.1.1 If you shall, in any respect, fail to comply with the Development Schedule.

9.1.2 If you shall purport to effect any assignment in violation of Section 11 of this Agreement.

9.1.3 If you make, or have made, any material misrepresentation to us in connection with obtaining this Agreement, any site approval hereunder, or any franchise agreement.

9.1.4 If you default in the performance of any obligation under any franchise agreement with us, provided such default results in the termination of the franchise agreement.

9.1.5 If you suffer a violation of any law, ordinance, rule or regulation of a governmental agency in connection with the operation of any 5 Tacos and Beers Business developed under this Agreement, and permit the same to go uncorrected after notification thereof, unless there is a bona fide dispute as to the violation or legality of such law, ordinance, rule or regulation, and you promptly resort to courts or forums of appropriate jurisdiction to contest such violation or legality.

9.1.6 If you, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against you or your property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within thirty (30) days; or if your real or personal property shall be sold after levy thereupon by any sheriff, marshal, or constable.

9.1.7 If you, or any shareholder or principal, if you are corporate entity, or any of your affiliates cease to operate all of the 5 Tacos and Beers Businesses opened pursuant to the terms of this Agreement.

9.1.8 If you, or any shareholder or principal, fail to maintain the financial capacity and necessary skills and experience to meet the Development Requirements and timely develop and operate the 5 Tacos and Beers Businesses required to be opened and operated under this Agreement based upon criteria established by us from time to time

9.2 Upon occurrence of any of the events stated in this Section 9.2, we may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, terminate this Agreement. Such termination shall be effective thirty (30) days after written notice (or such other notice as

may be required by applicable state law) is given by us to you of any of such events, if such defaults are not cured within such period:

9.2.1 If you shall use the System or Marks, or any other names, marks, systems, insignia, symbols or rights which are our property except pursuant to, and in accordance with, a valid and effective franchise agreement.

9.2.2 If you, or persons controlling, controlled by or under common control with you, shall have any interest, direct or indirect, in the ownership or operation of any Competitive Business (as defined in Section 12 below).

9.2.3 If you shall fail to remit to us any payments pursuant to Section 2 when same are due.

9.2.4 If you shall begin work upon any 5 Tacos and Beers Business at any site unless all the conditions stated in Section 3 hereof have been met.

9.2.5 If you fail to obtain our prior written approval or consent, including but not limited to site approval or site plan approval, as expressly required by this Agreement.

9.2.6 If you open any 5 Tacos and Beers Business for business before a franchise agreement for such 5 Tacos and Beers Business has been fully executed and the payments due to us pursuant to Section 2 have been paid.

9.2.7 If you default in the performance of any other obligation under this Agreement.

SECTION 10: OBLIGATIONS FOLLOWING TERMINATION

10.1 Upon termination of this Agreement becoming effective for any reason, or upon expiration of the term hereof, you agree as follows:

10.1.1 To cease immediately any attempts to select sites on which to establish 5 Tacos and Beers Businesses.

10.1.2 To cease immediately to hold yourself out in any way as an area developer of ours or to do anything which would indicate a relationship between you and us.

10.2 No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or in equity.

SECTION 11: TRANSFER OF INTEREST

11.1 We shall have the absolute right to transfer or assign all or any part of our rights or obligations hereunder to any person or legal entity which assumes its obligation under this Agreement and we shall thereby be released from any and all further liability to you.

11.2 Area Developer may not assign this Agreement or any rights to the Development Area. The provisions of this Section shall not restrict Area Developer from transferring an open and operating 5 Tacos and Beers Business in compliance with the assignment provisions contained in such 5 Tacos and Beers Business' franchise agreement.

SECTION 12: COVENANTS

12.1 You specifically acknowledge that, pursuant to this Agreement, you will receive valuable training and confidential information, including, without limitation, System standards, market research, advertising and promotional campaigns, approved suppliers, operating results of 5 Tacos and Beers Businesses, the terms of this Agreement, the 5 Tacos and Beers Business franchise operations manual, and graphic designs and other intellectual property. You covenant that during the term of this Agreement, except as otherwise approved in writing by us, you and persons controlling, controlled by or under common control with you shall not, either directly or indirectly, for yourself/himself, or through, on behalf of or in conjunction with any person, persons or legal entity:

12.1.1 Divert or attempt to divert any business or client of the 5 Tacos and Beers Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

12.1.2 Own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any business other than a 5 Tacos and Beers Business (including any 5 Tacos and Beers Business operated by you prior to entry into this Agreement), which business is of a character and concept similar to the 5 Tacos and Beers Business, including a business which derives ten percent (10%) or more of its annual gross sales from selling acai bowls, fruit bowls or fruit smoothies similar to or offered by 5 Tacos and Beers Businesses or any business which grants franchises or licenses to others to operate such a business (a “Competitive Business”).

12.2 You covenant that, except as otherwise approved in writing by us, you shall not, for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement, and continuing for two (2) years thereafter (and, in case of any violation of this covenant, for two (2) years after the violation ceases), either directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any Competitive Business which is located within twenty-five (25) miles of any 5 Tacos and Beers Business in the System.

12.3 Subsections 12.1.3 and 12.2 of this Section shall not apply to ownership by you of less than a five percent (5%) beneficial interest in the outstanding equity securities of any corporation which is registered and publicly traded under the Securities Exchange Act of 1934.

12.4 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 12 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 12.

12.5 You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant stated in Sections 12.1 and 12.2 or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof, and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 16 hereof.

12.6 You expressly agree that the existence of any claim you may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section 12.

12.7 You acknowledge that any failure to comply with the requirements of this Section 12 would cause us irreparable injury for which no adequate remedy at law may be available, and you hereby accordingly consent to our seeking injunctive and other equitable relief, without the need of bond, and without first requesting mediation or arbitration against you, from any state or federal court within the jurisdiction in which we have our principal place of business (currently Alameda County, California), or in any other state or federal district court of competent jurisdiction. We may further avail ourselves of any other legal or equitable rights and remedies which we may have under this Agreement or otherwise. You consent to the exercise of personal jurisdiction over you by these courts, and to the propriety of venue in these courts with respect to the entry of these temporary and permanent injunctions.

12.8 At our request, you shall require and obtain the execution of covenants similar to those described in this Section 12 (including covenants applicable upon the termination of a person's relationship with you) from any or all of the following persons:

12.8.1 All managers of yours who have received training from us;

12.8.2 All officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of you and of any entity directly or indirectly controlling you, if you are a corporation or limited liability company; and

12.8.3 The general partners and any limited partners (including any corporation, and the officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if you are a partnership.

Each covenant required by this Section 12.8 shall be in a form satisfactory to us, including, without limitation, specific identification of us as a third-party beneficiary of such covenants with the independent right to enforce them. Your failure to obtain execution of a covenant required by this Section 12.8 shall constitute a default under Section 9 hereof.

12.9 During the term of this Agreement, an officer or agent of ours shall have the right to inspect any 5 Tacos and Beers Business in which you have an interest at reasonable times and during normal business hours to the extent reasonably necessary to determine whether the conditions of this Section 12 are being satisfied. If, by reason of such inspections or otherwise, we have reason to believe that you are not in full compliance with the terms of this Section, we shall give notice of such default to you, specifying the nature of such default. If you deny that you are in default hereunder, as specified by us, you shall have the burden of establishing that such default does not exist and shall give notice to us of your position within ten (10) days of receipt of the notice from us. Unless you so deny such default, you shall immediately take all steps to cure said default in a manner satisfactory to us.

SECTION 13: NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, overnight delivery service or facsimile to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: 5 Tacos and Beers Franchising, LLC
1275 Solano Ave.
Albany, CA, 94706
Attn: Lito Saldana

Notices to you: Notice Address set forth in Attachment “A” of this Agreement

Any notice by certified or registered mail shall be deemed to have been given at the date and time of mailing.

SECTION 14: INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

14.2 You shall hold yourself out to the public to be an independent contractor operating pursuant to this Agreement. You agree to take such actions as shall be necessary to that end.

14.3 You understand and agree that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we assume no liability for, nor shall be deemed liable by reason of, any act or omission of yours or any claim or judgment arising therefrom. You shall indemnify and hold us and our affiliates, and our respective shareholders, directors, officers, employees, agents, representatives, successors and assigns (the “Indemnified Parties”) from and against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, obligations and damages directly or indirectly arising out of the business you conduct under this Agreement, your violation or breach of any contract, federal, state, or local law, regulation, ruling, standard, or directive or of any industry standard; libel, slander or any other form of defamation by you, or your breach of this Agreement. For purposes of this indemnification, “claims” include all obligations, damages (actual, consequential, punitive or otherwise) and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants’, arbitrators’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, and other expenses of litigation, arbitration or alternative dispute resolution, including travel and living expenses, regardless of whether litigation, arbitration or alternative dispute resolution is commenced.

Each Indemnified Party may defend and control the defense of any claim against it which is subject to this indemnification at your expense, and you may not settle any claim or take any other remedial, corrective or other actions relating to any claim without our consent. Additionally, an Indemnified Party may, at any time, settle any claim against it for which it is entitled to seek indemnity, and you shall reimburse the Indemnified Party for any amount that the Indemnified Party paid under the settlement terms. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you.

SECTION 15: APPROVALS

15.1 Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us for such approval or consent, and, except as otherwise provided herein, any approval or consent granted shall be in writing.

15.2 We make no warranties or guaranties upon which you may rely, and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advise, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

SECTION 16: NON-WAIVER

No failure of ours to exercise any power reserved to us under this Agreement or to insist upon compliance by you with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our rights to demand exact compliance with the terms of this Agreement. Our waiver of any particular default shall not affect or impair our right with respect to any subsequent default of the same or of a different nature; nor shall any delay, forbearance or omission of ours to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants of this Agreement affect or impair our rights, nor shall such constitute a waiver by us of any rights hereunder or rights to declare any subsequent breach or default.

SECTION 17: SEVERABILITY AND CONSTRUCTION

17.1 Each covenant and provision of this Agreement shall be construed as independent of any other covenant or provision of this Agreement. The provisions of this Agreement shall be deemed severable.

17.2 If all or any portion of a covenant or provision of this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a decision to which we are a party, you expressly agree to be bound by any lesser covenant or provision imposing the maximum duty permitted by law which is subsumed within the terms of such covenant or provision, as if that lesser covenant or provision were separately stated in and made a part of this Agreement.

17.3 Nothing in this Agreement shall confer upon any person or legal entity other than us or you, and such of our respective successors and assigns as may be contemplated by Section 11 hereof, any rights or remedies under or by reason of this Agreement.

17.4 All captions in this Agreement are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

17.5 All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by you shall be deemed jointly and severally undertaken by all those executing this Agreement on your behalf.

17.6 This Agreement may be executed in triplicate, or such other number as is required, and each copy of the executed Agreement shall be deemed an original.

SECTION 18: ENTIRE AGREEMENT; APPLICABLE LAW

This Agreement, the documents referred to herein and the Attachments attached hereto constitute the entire, full and complete agreement between us and you concerning the subject matter hereof and supersede any and all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. This Agreement shall be interpreted and construed under the laws of the state in which the Franchised Business is located without regard to the application of conflict of law rules, and the parties hereto consent to irrevocably submit to the jurisdiction of all courts located within the County of Alameda.

SECTION 19: DISPUTE RESOLUTION

19.1 Except where it is necessary for either you or us to obtain equitable relief to preserve the goodwill of our respective businesses (including, but not limited to, the enforcement of obligations upon termination of this Agreement and the covenants not to compete contained in this Agreement), you and we each agree to enter into mediation of all disputes involving this Agreement or any other aspect of the relationship between us, for a minimum of four (4) hours, prior to initiating any legal action or arbitration against the other.

19.1.1. Upon written notice by either you or us, to the other, of your or our desire to mediate, the party receiving the notice will select an independent entity that provides mediation services to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not name such an organization within ten (10) days from the date the notice of intention to mediate is received, then the other party may proceed as if this Section 19.1 did not exist, or, at its option, make the selection of the organization to provide mediation services. If you or we select an organization that is unwilling to serve as mediator, then the other party may select the organization. Once the organization is designated and agrees to accept the appointment as mediator, the organization will be directed to schedule a mediation proceeding at a time mutually convenient to us and to you. The mediation will be held within thirty (30) days following receipt by the mediation organization of notification that its services are requested. If you and we cannot agree on a date for mediation, then the mediation organization will select a date it believes is reasonable for both of us, given all of the claimed conflicts in dates. The person actually mediating the dispute will be required to have at least ten (10) years of experience as either a franchisee or franchisor (or as an officer of such an entity) or in franchise law. You and we will equally share the cost of the mediator. The mediator will select the location for the mediation unless you and we both agree otherwise. The mediation will be held in a metropolitan area with at least 250,000 persons that is not located within one hundred (100) miles of either your principal office or our principal office.

19.1.2. Except for the matters identified above where you or we are permitted to seek injunctive relief without first mediating the dispute, if either party initiates litigation or arbitration without complying with their obligation to mediate in accordance with this paragraph (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section 19.1), then upon petition of whichever of us has a lawsuit or arbitration proceeding brought against us, the court or arbitrator will dismiss the litigation or arbitration without prejudice, and award attorneys' fees and costs to the party seeking dismissal in an amount equal to the attorneys' fees and costs the party seeking dismissal incurred. If the court or arbitrator refuses for any reason to dismiss the action, then regardless of the outcome of the action, or of any award given in the action, the party initiating the litigation or arbitration will be responsible for all attorneys' fees and costs incurred throughout the litigation or arbitration by the other party as damages for failing to comply with the provisions of this Section 19.1

19.2 Except insofar as you or we elect to enforce this Agreement by judicial process and injunction as provided in Section 18.1 hereof, all disputes and claims arising out of or relating to this Agreement, or to the breach thereof, or to any of our standards or operating procedures, or other obligation of either of yours or ours, or to the breach thereof (including any claim that this Agreement, any provision of this Agreement, any specification, standard, operating procedure or any other obligation of yours or ours is illegal, unenforceable or voidable), or any aspect of the relationship between you and us (even if additional persons are named as parties to such action, but except as may be specifically provided with respect to any financing agreements you have with us or our affiliates, which shall be governed by the enforcement provisions thereof), must be resolved by arbitration in the city in which our principal office is located. Our principal office is currently located in Alameda, California. It is our intention that state laws attempting to void out of state forum selection clauses for arbitration be preempted by the Federal Arbitration Act and that arbitration be held in the place designated above.

19.2.1. The arbitration will be held in accordance with the United States Arbitration Act (9 U.S.C. § 1 et seq.), if applicable, and the rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise agreements, if any; otherwise, the general rules of commercial arbitration).

19.2.2. The arbitrator appointed must have at least ten (10) years' experience in franchising or franchise law, and the arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers and limitations of this Agreement. The arbitrator shall have no authority to add, delete or modify in any manner the terms and provisions of this Agreement. All findings, judgments, decisions and awards of the arbitrator will be limited to the dispute or controversy set forth in the written demand for arbitration and response to that demand. The arbitrator may not award any relief that was not specifically requested by the parties prior to the start of the arbitration hearing. The arbitrator will have the right to award or include in any award the specific performance of this Agreement but will be required to file a reasoned brief with his or her award.

19.2.3. You and we acknowledge that judgment upon an arbitration order may be entered in any court of competent jurisdiction and will be binding, final, and non-appealable, except for mistakes of law, as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Section

19.3 Except for certain claims subject to injunctive relief under Sections 12 or 19.4, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be submitted to final and binding arbitration in the city of or closest to our principal place of business (currently Albany, California) as the sole and exclusive remedy for any such controversy or dispute. The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement. Except for claims excluded from mediation and arbitration herein, 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, enforceability or formation of this Agreement including, but not limited to any claim that all or any part of this Agreement is void or voidable.

19.4 With respect to any claims, controversies or disputes which are not finally resolved through arbitration, or as otherwise provided above, you and your owners hereby irrevocably submit themselves to the jurisdiction of the state and federal courts with jurisdiction in the city where our principal place of business is located (currently Albany, California). You and your owners hereby consent to and waive all objections to personal jurisdiction and venue for the purpose of carrying out this provision. You and your owners hereby agree that service of process may be made upon you and any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by applicable State or federal law. You and your owners agree that mandatory venue for any proceeding relating to or arising out of this Agreement shall be in the city of or closest to our principal place of business (currently Albany, California); provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, we may bring such action in any state or federal district court which has jurisdiction. With respect to all claims, controversies, disputes or actions, related to this Agreement or the relationship created thereby, this Agreement and any such related claims, controversies, disputes or actions shall be governed, enforced and interpreted under the law of the state in which the Franchised Business is located.

19.5 You, your owners and we acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 19.4 above provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Each of you, your owners and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

19.6 You, your owners and we acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Alameda County, California.

19.7 You, your owners and we hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

19.8 If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, 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 such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

SECTION 20: TIMELY PERFORMANCE

You hereby acknowledge that your timely development of the 5 Tacos and Beers Businesses in the Development Area in accordance with the Development Schedule is of material importance to us and you.

You agree, as a condition of the continuance of the rights granted hereunder, to develop and open 5 Tacos and Beers Businesses within the Development Area in accordance with the Development Schedule, to operate such 5 Tacos and Beers Businesses pursuant to the terms of the franchise agreements applicable thereto, and to maintain all such 5 Tacos and Beers Businesses in operation continuously. We agree to diligently act upon any request of or approval from you and any material delay in your ability to meet the Development Schedule which is directly caused by our failure to act diligently upon a request for approval shall not constitute a default hereunder. In the event that you are unable to comply with the Development Schedule due to act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), terrorist event, riot, epidemic, fire or other catastrophe, act of any government and any other similar cause which is beyond your control and cannot be overcome by use of normal commercial measures ("Force Majeure"), then upon notice to us, the Development Schedule and this Agreement shall be extended for a corresponding period, not to exceed ninety (90) days. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the event, nor does that event affect any obligation to pay money owed under this Agreement or any franchise agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect your obligations to comply with any restrictive covenants in this Agreement during or after the Force Majeure event.

SECTION 21: ACKNOWLEDGMENTS

21.1 YOU ACKNOWLEDGE THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES SUBSTANTIAL BUSINESS RISKS AND WILL BE TOTALLY AND COMPLETELY DEPENDENT UPON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON. WE EXPRESSLY DISCLAIM THE MAKING OF, AND YOU ACKNOWLEDGE NOT HAVING RECEIVED, ANY WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

21.2 YOU ACKNOWLEDGE HAVING RECEIVED, READ AND UNDERSTOOD THIS AGREEMENT, THE ATTACHMENTS ATTACHED HERETO AND AGREEMENTS RELATING HERETO, IF ANY, AND THE DISCLOSURE DOCUMENT DELIVERED SIMULTANEOUSLY HERewith; AND WE HAVE ACCORDED YOU AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF YOUR OWN CHOOSING ABOUT THE POTENTIAL RISKS OF ENTERING INTO THIS AGREEMENT.

21.3 YOU ACKNOWLEDGE THAT YOU RECEIVED THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED OR ANY PAYMENT WAS MADE TO US OR OUR AFFILIATES.

21.4 YOU AND EACH OF YOUR PRINCIPALS, IF A CORPORATE ENTITY, EXPRESSLY ACKNOWLEDGE THAT NEITHER YOU NOR THEY HAVE RELIED UPON ANY EARNINGS CLAIMS, SUCH AS ORAL OR WRITTEN STATEMENTS OR SUGGESTIONS, MADE BY ANY REPRESENTATIVE OF OR ANY OTHER PERSON PURPORTING TO BE ACTING ON OUR BEHALF REGARDING THE POTENTIAL FUTURE SALES, REVENUES OR PROFITS WHICH MAY BE DERIVED FROM OPERATION OF 5 TACOS AND BEERS BUSINESSES OR DEVELOPMENT OF THE DEVELOPMENT AREA.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, effective on the effective date specified in Attachment “A” of this Agreement.

5 TACOS AND BEERS FRANCHISING, LLC

By: _____

Name: _____

Title: _____

AREA DEVELOPER

By: _____

Name: _____

Title: _____

ATTACHMENT “A”
DATA SHEET

1. Effective Date. The effective date of the Area Development Agreement set forth in the introductory Paragraph of the Area Development Agreement is: _____.
2. Area Developer. The Area Developer set forth in the introductory Paragraph of the Area Development Agreement is: _____
3. Area Developer’s Principal Address: The Area Developer’s principal address set forth in the introductory Paragraph of the Area Development Agreement is :

Attn: _____

4. Notice Address. The notice address for Area Developer, as set forth in Section 13 of the Area Development Agreement is:

Attn: _____

5. Development Fee. The Development Fee, as set forth in Section 2 of the Area Development Agreement, is as follows:

Development Fee	Select
Fee for two 5 Tacos and Beers Businesses: \$60,000	
Fee for three 5 Tacos and Beers Businesses: \$90,000	
Fee for four 5 Tacos and Beers Businesses: \$120,000	
Fee for five 5 Tacos and Beers Businesses: \$150,000	

(Signature Page Follows)

AREA DEVELOPER

5 TACOS AND BEERS FRANCHISING, LLC

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

ATTACHMENT “B”
DEVELOPMENT AREA

The Development Area set forth in Section 1.1 of this Agreement shall be the geographic area described below and/or as depicted on the following map:

AREA DEVELOPER

5 TACOS AND BEERS FRANCHISING, LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

ATTACHMENT “C”
DEVELOPMENT SCHEDULE

1. The total number of 5 Tacos and Beers Businesses to be developed under this Agreement (including the Initial Business): _____.
2. The termination date of this Agreement shall be the earlier of the date the Development Schedule is complete or _____.
3. Development Schedule:

5 Tacos and Beers Franchising	Development Period Ending Date	Franchise Agreement Execution Deadline
1		Date of execution of Area Development Agreement
2		
3		
4		
5		

AREA DEVELOPER

5 TACOS AND BEERS FRANCHISING, LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

ATTACHMENT “D”
STATEMENT OF OWNERSHIP

Area Developer: _____

Form of Ownership
(Check One)

____ Individual ____ Partnership ____ Corporation ____ Limited Liability Company

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

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

If a Limited Liability Company, give the state and date of formation, the name of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: _____

Management (managers, officers, board of directors, etc.):

Name	Title

Members, Stockholders, Partners*:

Name	Address	Percentage Owned

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

Use additional sheets if necessary. Any and all changes to the above information must be reported to 5 Tacos and Beers Franchising, LLC in writing.

[signature on the following page]

AREA DEVELOPER

By: _____

Name: _____

Title: _____

EXHIBIT C
FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS AS OF AUGUST 31, 2023

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

9:39 AM
10/09/23
Accrual Basis

5 Tacos and Beers Franchising, LLC
Balance Sheet
As of August 31, 2023

	Aug 31, 23
ASSETS	
Current Assets	
Checking/Savings	
Wells Fargo 2286	720.74
Total Checking/Savings	720.74
Other Current Assets	
Due from 5 Tacos & Beers Inc	685.00
Due from 5 Tacos & Beers of W.C	4,500.00
Due from Lourdez Rodriguez	1,500.00
Total Other Current Assets	6,685.00
Total Current Assets	7,405.74
Other Assets	
Trade Mark	20,000.00
Total Other Assets	20,000.00
TOTAL ASSETS	27,405.74
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Due to Lito Saldana	5,500.00
Due to Los Moles El Cerrito	50,000.00
Due to los Moles Hecho en Casa	7,330.00
Total Other Current Liabilities	62,830.00
Total Current Liabilities	62,830.00
Total Liabilities	62,830.00
Equity	
Retained Earnings	-10,826.77
Net Income	-24,597.49
Total Equity	-35,424.26
TOTAL LIABILITIES & EQUITY	27,405.74

1:04 PM

10/09/23

Accrual Basis

5 Tacos and Beers Franchising, LLC

Profit & Loss

January through August 2023

	Jan - Aug 23
Ordinary Income/Expense	
Income	
Interest Income	2.51
Total Income	2.51
Gross Profit	2.51
Expense	
Bank Service Charges	100.00
Franchising Expense Consulting	
Brand Strategy	1,750.00
Franchise Advisory	2,000.00
Growth Advisory	8,000.00
Operator Strategy	6,000.00
Total Franchising Expense Consulting	17,750.00
Logo Design	
Brand Identity	2,125.00
Brand Voice	3,750.00
Promotional & Sales	875.00
Total Logo Design	6,750.00
Total Expense	24,600.00
Net Ordinary Income	-24,597.49
Net Income	-24,597.49



5 TACOS AND BEERS

FRANCHISING, LLC

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

AS OF DECEMBER 31, 2022, AND FOR THE PERIOD

FROM INCEPTION (JUNE 14, 2022) TO DECEMBER 31, 2022



5 TACOS AND BEER FRANCHISING, LLC

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Statement of operations	6
Statement of cash flows.....	7
Statement of member's equity.....	8
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Independent Auditor's Report

To the Member
5 Tacos and Beers Franchising, LLC
Albany, CA 94706

Opinion

We have audited the accompanying financial statements of 5 Tacos and Beers Franchising, LLC, which comprise the balance sheet as of December 31, 2022, and the related statements of operations, member's equity, and cash flows for the period from inception (June 14, 2022) to December 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 5 Tacos and Beers Franchising, LLC as of December 31, 2022, and the results of its operations and its cash flows for the from inception (June 14, 2022) to December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Kezar & Dunlavy

St. George, Utah
October 4, 2023

5 BEERS AND TACOS FRANCHISING LLC
BALANCE SHEET
AS OF DECEMBER 31, 2022

Assets	
Current assets	
Cash and cash equivalents	\$ 24,503
Related party note receivable	5,500
Total current assets	<u>30,003</u>
Total assets	<u><u>\$ 30,003</u></u>
Liabilities and Member's Equity	
Current liabilities	
Related party note payable	\$ 64,230
Total current liabilities	<u>64,230</u>
Total liabilities	<u><u>\$ 64,230</u></u>
Member's equity	\$ (34,227)
Total liabilities and member's equity	<u><u>\$ 30,003</u></u>

The accompanying notes are an integral part of these financial statements

5 BEERS AND TACOS FRANCHISING LLC
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM INCEPTION (JUNE 14, 2022) TO DECEMBER 31, 2022

Operating revenue	\$ -
Operating expenses	
Marketing expense	\$ 23,400
Professional fees	7,330
General and administrative	3,497
Total operating expenses	<u>34,227</u>
Net loss	<u><u>\$ (34,227)</u></u>

The accompanying notes are an integral part of these financial statements

5 BEERS AND TACOS FRANCHISING LLC
STATEMENT OF MEMBER'S EQUITY
FOR THE PERIOD FROM INCEPTION (JUNE 14, 2022) TO DECEMBER 31, 2022

Beginning member's equity	\$ -
Net loss	(34,227)
Balance at December 31, 2022	<u><u>\$ (34,227)</u></u>

The accompanying notes are an integral part of these financial statements

5 BEERS AND TACOS FRANCHISING LLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM INCEPTION (JUNE 14, 2022) TO DECEMBER 31, 2022

Cash flows from operating activities:	
Net loss	<u>\$ (34,227)</u>
Net cash used in operating activities	<u>(34,227)</u>
Cash flows from financing activities:	
Related party note payable	<u>58,730</u>
Net cash provided by financing activities	<u>58,730</u>
Net change in cash and cash equivalents	24,503
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	<u><u>\$ 24,503</u></u>
Supplemental disclosures of cash flow	
Cash paid for interest	\$ -

The accompanying notes are an integral part of these financial statements

5 TACOS AND BEERS FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

5 Tacos and Beers Franchising, LLC (the “Company”) was formed on June 14, 2022, in the state of California as a limited liability company for the principal purpose of conducting franchise sales, marketing, and management. The Company grants qualified franchisees the right to own and operate a 5 Tacos and Beers restaurant that offers tacos with locally produced ingredients and craft beers.

The company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force, and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2022, the Company had cash and cash equivalents of \$24,503.

(e) Revenue Recognition

The Company’s revenues consist of fees from franchised locations operated by conventional franchisees. Revenues from franchisees consist of initial franchise fees, marketing fees, and continuing royalty fees to the Company based on a percentage of gross revenues.

Upon commencement of operations, the Company adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial franchise fee, marketing fees, and continuing royalty fees to the Company based on a percentage of gross revenues and the Company’s performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties, marketing fees, technology fees, and conference fees recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise.

5 TACOS AND BEERS FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. ASC 952-606 identifies the following general pre-opening services (which the Company may or may not provide) as eligible for inclusion in the single distinct performance obligation:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services.
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

(f) Income Taxes

The Company is structured as a limited liability company under the laws of the state of California. Accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal or state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If the taxing authorities were to disallow any tax positions taken by the Company, additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2022, no tax years were subject to examination.

(g) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(h) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial franchise fees, marketing fees, and continuing royalty fees to the Company based on a percentage of gross revenues. Under the franchise agreement, franchisees are granted the right to operate a location using the 5 Tacos and Beers system for a period of ten years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are

5 TACOS AND BEERS FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

recognized when the franchisee begins operations. For any franchisees that have not met the criteria for revenue recognition as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current.

The Company sold no franchises during the period ended December 31, 2022.

(3) Related Party Transactions

During the ordinary course of business, the Company enters into certain transactions with related parties substantially due to short term advances and cost reimbursement. These transactions are recorded as related party note receivables or payables, are non-interest bearing and short term in nature. As of December 31, 2022, the related party note receivable was \$5,500 and the related party note payable was \$64,230.

(4) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of the management, all matters of this kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(5) Subsequent Events

Management has reviewed and evaluated subsequent events through October 4, 2023, the date on which the financial statements were issued.

EXHIBIT D

LIST OF CURRENT AND FORMER FRANCHISEES

LIST OF FRANCHISEES AS OF DECEMBER 31, 2022

None.

LIST OF FORMER FRANCHISEES

None.

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

EXHIBIT E

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, CA 95834 866-275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 808-586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 317-232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 410-576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1 st Floor Lansing, MI 48933 517-373-7117	
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 651-539-1600	Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 651-539-1600

New York	NYS Department of Law Investor Protection Bureau 28 Liberty St., 21 st Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave. State Capital 5 th Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Ave. State Capital 5 th Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 401-462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501-3185 605-773-3563	Director of Division of Insurance 124 South Euclid, Suite 104 Pierre, SD 57501-3185 605-773-3563
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 360-902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 360-902-8760
Wisconsin	Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, WI 53701 608-266-2801	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Ave., Suite 300 Madison, WI 53703

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5 Tacos & Beers Franchising Operations Manual

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EXHIBIT G

STATE SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of California only, this Disclosure Document is amended as follows:

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Franchise Disclosure Document.

Our website, www.5tacos.com, has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

All the owners of the franchise will be required to execute personal guarantees. This requirement places the marital assets of the spouses domiciled in community property states – Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin at risk if your franchise fails.

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Item 3

Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

Item 6

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

Item 17

The following paragraphs are added at the end of Item 17 of the Disclosure Document pursuant to regulations promulgated under the California Franchise Investment Law:

California Law Regarding Termination, Transfer, and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees

concerning termination, transfer, or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Termination Upon Bankruptcy. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

Post-Termination Noncompetition Covenants. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Applicable Law. The franchise agreement requires application of the laws of the state in which the Franchised Business is located. This provision may not be enforceable under California law.

Modification. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

General Releases. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities
335 Merchant Street
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: _____

2. A proposed registration or filing is or will be shortly on file in the following states:

3. No states have refused, by order or otherwise to register these franchises.

4. No states have revoked or suspended the right to offer these franchises.

5. The proposed registration of these franchises has not been withdrawn in any state.

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

Illinois law shall apply to and govern the Franchise Agreement.

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

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

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

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Maryland only, this Disclosure Document is amended as follows:

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The following is added to Item 17:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION

WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities

association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

(See Attachment D to the Franchise Agreement (Exhibit A to this Disclosure Document) for Washington Addendum to the Franchise Disclosure Document, Franchise Agreement, and Related Agreements)

EXHIBIT H
SAMPLE GENERAL RELEASE

In consideration of the agreement of 5 Tacos and Beers Franchising, LLC (“Franchisor”) to allow _____ (“Franchisee”) to [RENEW OR TRANSFER] its Franchise Agreement dated _____ between Franchisee and Franchisor (“Agreement”), Franchisee hereby releases and forever discharges Franchisor, and its affiliates, as well as their members, directors, officers, employees and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors and assigns, from any and all claims Franchisee may have against such parties known and unknown, foreseen and unforeseen, from all beginning of time to the date hereof, whether in law or in equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising under the Agreement or under any other agreement between Franchisee and Franchisor or its affiliates. [FOR TRANSFERS: Further, Franchisee acknowledges that transfer of the Agreement shall terminate Franchisee’s interest in the Agreement, but Franchisee will continue to be bound by all post-termination provisions of the Agreement, including but not limited to the obligations of confidentiality, and the covenant not to compete contained in the Agreement.]

[IN CALIFORNIA: The foregoing release is intended as a general release of all claims, demands, actions, causes of action, obligations, damages and liabilities of any kind or nature whatsoever that relate to the matters recited therein, and is intended to encompass all known and unknown, foreseen and unforeseen claims which the releasing party may have against any party being released. Section 1542 of the California Civil Code provides:

A General Release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the Release, which if known by him might have materially affected his settlement with the debtor.

You expressly waive the provisions of Section 1542 of the California Civil Code and expressly release each party to be released from all liability or claims arising out of any matters recited in the release.]

FRANCHISEE:

By: _____

Its: _____

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
California	PENDING
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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

**RECEIPT
(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 5 Tacos and Beers 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.

If 5 Tacos and Beers 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 the 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 in Exhibit D.

The franchisor offering the franchise: 5 Tacos and Beers Franchising, LLC, 1175 Solano Ave., Albany, CA 94706, 510-898-1829. The individual franchise seller who offered you a 5 Tacos & Beers franchise is Lito Saldana.

Issuance Date: October 10, 2023

See Exhibit E for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated October 10, 2023 that included the following Exhibits:

- EXHIBIT A*** Franchise Agreement (Including Personal Guaranty, Lease Rider and State Specific Addenda)
- EXHIBIT B*** Area Development Agreement
- EXHIBIT C*** Financial Statements
- EXHIBIT D*** List of Current and Former Franchisees
- EXHIBIT E*** List of State Administrators and Agents for Service of Process
- EXHIBIT F*** Operations Manual Table of Contents
- EXHIBIT G*** State-Specific Addenda to the Franchise Disclosure Document
- EXHIBIT H*** Sample General Release

PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

If an individual:

Sign: _____
Print: _____

Sign: _____
Title: _____
Print: _____

Date: _____
(Do not leave blank)

Dated: _____
(Do not leave blank)

Please sign this copy of the Receipt, print the date on which you received this Disclosure Document, and return it, by mail or email to 5 Tacos and Beer Franchising, LLC, 1175 Solano Ave., Albany, CA 94706, lito@5tacos.com.

**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 5 Tacos and Beers 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.

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PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

If an individual:

Sign: _____
Print: _____

Sign: _____
Title: _____
Print: _____

Date: _____
(Do not leave blank)

Dated: _____
(Do not leave blank)

Please keep this copy for your records.