FRANCHISE DISCLOSURE DOCUMENT
(Freestanding)

FRANCHISE DISCLOSURE DOCUMENT

	BluTaco Franchising, LLC A Delaware Limited Liability Company 120 Commerce Drive Holts Summit, Missouri 65043 (573) 896-2500 sjb@pfsbrands.com www.blutaco.com

The franchisee will operate a BluTaco Restaurant in a freestanding building. The restaurant will offer a variety of tacos, burritos, breakfast items, other menu items, beverages, merchandise, and miscellaneous items we designate (the "Products and Services").

The total investment necessary to begin operation of a BluTaco franchise in a freestanding building is $126,000 to $2,765,000. This includes $37,500 to $50,000 that must be paid to the franchisor or affiliate.

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 its parent 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 Shawn Burcham at 120 Commerce Drive, Holts Summit, Missouri 65043 and (573) 896-2500.

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

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

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

Issuance Date: April 1, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only BluTaco 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 BluTaco Franchisee?	Item 20 or Exhibit G 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 C.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Missouri. 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 Missouri than in your own state.

2. **Financial Condition**. The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support you.

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

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

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Exhibit/Schedules

ITEM 1.

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

The franchisor is BluTaco Franchising, LLC, referred to in this disclosure document as "Franchisor", "we," "us," "our," the "Company," or "BluTaco." We refer to the person interested in buying a franchise as "you" or "your". If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the franchise will apply to your owners. These are addressed in this disclosure document where appropriate. We refer to the restaurant you will own and operate as the "Freestanding Restaurant", as defined below.

Our principal business address is 120 Commerce Drive, Holts Summit, Missouri 65043. We are a Delaware limited liability company, organized on October 26, 2017. We do business under our corporate name and under the trade name and trade mark, "BluTaco".

We began offering franchises for freestanding locations in 2020**.**

Since February 4, 2019, we have owned and operated one freestanding restaurant, like the one being offered, which is located in Holts Summit, Missouri.

We do not operate, franchise, or have plans to operate or franchise, a business under a different trademark, that is similar to the type of business to be operated by you.

We have not offered franchises in any other line of business.

Our agents for service of process in the states that require franchise registration are listed in Exhibit C to this disclosure document.

Parent and Affiliates

Our parent is Pro Food Systems, Inc., a Missouri corporation, was formed on July 13, 1998, and its principal business address is 120 Commerce Drive, Holts Summit, Missouri 65043. We refer to Pro Food Systems, Inc. as "Pro Food Systems" or "Parent" and Franchisor is a wholly-owned subsidiary of Parent.

From 1999 to 2013, Pro Food Systems offered licenses for the establishment and operation of restaurants within an existing business using the "Champs Chicken®" trademark, offering and selling products and services that are food related, but different than the BluTaco products and services you will offer at the Freestanding Restaurant.

In January 2015, Pro Food Systems began offering licenses for the establishment and operation of restaurants within an existing business using the "Cooper's Express®" trademark, offering and selling products and services that are food related, but different than the BluTaco Products and Services you will offer at the Freestanding Restaurant. Pro Food Systems expects to expand the Cooper's Express program.

In June 2015, our affiliate, Champs Chicken Franchising, LLC, began offering franchises for the establishment and operation of restaurants within an existing business using the "Champs Chicken®" trademark, offering and selling products and services that are food related, but different than the BluTaco Products and Services you will offer at the Freestanding Restaurant.

In December 2020, our affiliate, Hangar 54 Pizza Franchising, LLC, began offering franchises for the establishment and operation of restaurants within an existing business using the "Hangar 54 Pizza™" trademark, offering and selling products and services that are food related, but different than the BluTaco Products and Services you will offer at the Freestanding Restaurant.

Except as described above, our parent and our affiliate do not operate, franchise, or have plans to operate or franchise, a business under a different trademark that is similar to the type of business to be operated by you.

Our Predecessor

We do not have a predecessor.

Our Business and the Franchises Offered

In February 2018, under a separate franchise disclosure document, we began offering franchises for restaurants ("BluTaco Restaurants") that operate within an existing business such as a grocery store or convenience store ("Business-Within-a-Business Locations" or "BWB Locations") which sells BluTaco products and services and uses our BluTaco trademarks and operates using our business formats, methods, standards, and specifications (the "System") for the operation of a BWB Location.

This franchise disclosure document is for the establishment and operation of a restaurant is a freestanding location which sells BluTaco products and services and uses our BluTaco trademarks and operates using the System for the operation of a freestanding restaurant. We grant you the right to open and operate a freestanding restaurant (the "Freestanding Restaurant") under the terms of the Franchise Agreement attached as Exhibit A to this disclosure document.

You must operate the Freestanding Restaurant using the System including offering the products and services we specify. If you want to sell beer, wine and/or liquor at the Freestanding Restaurant, and if we approve of you doing so, you must obtain and maintain a liquor license permitting the sale of alcoholic beverages at the Freestanding Restaurant.

Franchises for freestanding restaurants are available for those areas where we have not granted currently-effective franchises, options, or other territorial rights and in which we are registered to do so, if applicable.

If you want the right to develop additional Freestanding Restaurants, we may offer you the opportunity to enter into an Option Addendum that grants you the right to develop and open a specific number of additional Freestanding Restaurants according to a schedule (the "Development Schedule") within a specific geographic territory (the "Option Territory"). A copy of the Option Addendum is attached as Schedule C to the Franchise Agreement.

Laws and Regulations

The restaurant industry is heavily regulated. In addition to laws governing businesses generally such as the Americans with Disabilities Act, Federal Wage and Hours Laws, and the Occupation, Health and Safety Act, you should consider that certain aspects of the restaurant business are heavily regulated by federal, state and local laws, rules and ordinances, especially restaurants that offer alcoholic beverages or allow the smoking of tobacco products. The U.S. Food and Drug Administration and the U.S. Department of Agriculture, as well as state and local departments of health and other agencies have laws and regulations concerning the preparation of food and sanitary conditions and restaurant facilities. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to attain, by the applicable statutory guidelines, the national air quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of these laws impose caps on emissions resulting from commercial food preparation. State and local laws, regulations and ordinances vary significantly. You will need to understand and comply with these laws in operating the Freestanding Restaurant. There may be other laws applicable to your business. We urge you to make further inquiries about these laws.

Competition

The restaurant industry is highly competitive. You will compete with other businesses and restaurants that offer the same type of products and services you offer; as well as other businesses and restaurants that offer food, beverages, products, and services different from those you will offer. These businesses may be connected with national or regional chains, or they may be local businesses.

ITEM 2.

BUSINESS EXPERIENCE

President and Chief Executive Officer: Shawn Burcham

Mr. Burcham has served as our President and CEO since we were organized on October 26, 2017. From July 1998 to the present, he has also served as President and CEO of Pro Food Systems.

Company Secretary: Julie Ann Burcham

Ms. Burcham has served as Corporate Secretary of Pro Food Systems since July 1998. As part of our affiliate relationship with Pro Food Systems, she has also served as our Corporate Secretary since October 26, 2017.

Vice President of Human Resources: Carla Dowden

Ms. Dowden has served as Vice President of Human Resources of Pro Food Systems since November 2010. As part of our affiliate relationship with Pro Food Systems, she has also served as our Vice President of Human Resource since October 26, 2017.

Senior Vice President of Operations: Brock Blaise

Mr. Blaise has served as Senior Vice President of Operations of Pro Food Systems since April 1, 2018. As part of our affiliate relationship with Pro Food Systems, he has also served as our Senior Vice President of Operations since April 1, 2018. From January 2015 to March 31, 2018, he served as Vice President of Operations of Pro Food Systems. From July 1995 to December 2014 he served as Operations Manager of Unilever, in Jefferson City, Missouri.

Chief Financial Officer: Kyle Menges

Mr. Menges has served as Chief Financial Officer of Pro Food Systems since December 1, 2021. As part of our affiliate relationship with Pro Food Systems, he also served as CFO since December 1, 2022. From April 30, 2018 to November 30, 2022, he served as Controller.

Director of Technology: John Bleidistel

Mr. Bleidistel has served as Director of Technology of Pro Food Systems since February 2009. As part of our affiliate relationship with Pro Food Systems, he has also served as our Director of Technology since October 26, 2017.

Key Account Manager: Brian Harding

Mr. Harding has served as Key Account Manager of Pro Food Systems since October 2008. As part of our affiliate relationship with Pro Food Systems, he has also served as our Key Account Manager since October 26, 2017.

National Business Developer: Lori Humphrey

Ms. Humphrey has served as National Business Developer of Pro Food Systems since August 2005. As part of our affiliate relationship with Pro Food Systems, she has also served as our National Business Developer since October 26, 2017.

Regional Manager- Retail Growth: Craig Mulcahy

Mr. Mulcahy has served as Regional Manager of Pro Food Systems since January 1, 2016. As part of our affiliate relationship with Pro Food Systems, he has also served as our Regional Manager since October 26, 2017. From March 19, 2014 to December 2015, he was a Territory Manager with Pro Food Systems.

Regional Manager- Retail Growth: Tim Sullivan

Mr. Sullivan has served as Regional Manager of Pro Food Systems since February 2012. As part of our affiliate relationship with Pro Food Systems he has also served as our Regional Manager since October 26, 2017.

Regional Manager- Retail Growth: Dwight Stiles

Mr. Stiles has served as Regional Manager of Pro Food Systems since September 2021. From October 2019 to August 2021, he also served as a Business Advisor for Pro Food Systems. As part of our affiliate relationship with Pro Food Systems, he served as our Business Advisor since October 2014.

Regional Manager- Retail Growth: Tim Huntington

Mr. Huntington has served as Regional Manager of Pro Food Systems since September 2021. From October 2014 to September 2021, he also served as a Business Advisor for Pro Food Systems. As part of our affiliate relationship with Pro Food Systems, he served as our Business Advisor since October 2014.

Regional Manager - Business Development: Ken Elders

Mr. Elders has served as Regional Manager - Business Development of Pro Food Systems since January 16, 2019. As part of our affiliate relationship with Pro Food Systems, he has also served as our Regional Manager - Business Development since January 16, 2019. From May 10, 2010 to January 15, 2019, he was Regional Business Developer of Pro Food Systems.

Regional Manager – Business Development: Devon Clark

Mr. Clark has served as Regional Manager – Business development of Pro Food Systems since October 31, 2022. As part of our affiliate relationship with Pro Food Systems, he has also served as our Regional Manager – Business Development since October 31, 2022. From December 12, 1994 to September 6, 2022,he was the Senior Director of Business Development for OLM Food Solutions in Sioux Falls, South Dakota

National Business Developer: Brian Lee Fuller

Mr. Fuller has served as National Business Developer of Pro Food Systems since October 12, 2021. As part of our affiliate relationship with Pro Food Systems, he has also served as our National Business Developer since October 12, 2021. From March 2014 to October 11, 2021, Mr. Fuller served as Senior Regional Business Developer of Pro Food Systems. As part of our affiliate relationship with Pro Food Systems, he also served as our Senior Regional Business Developer from October 26, 2017 to October 11, 2021.

Regional Business Developer: Richard Kimmel

Mr. Kimmel has served as Regional Business Developer of Pro Food Systems since July 31, 2017. As part of our affiliate relationship with Pro Food Systems, he has also served as our Regional

Business Developer since October 26, 2017. From August 2009 to July 2017, he served as District Manager of Orion Food Systems in Sioux Falls, South Dakota.

Regional Business Developer: Wesley Heinert

Mr. Heinert has served as Regional Business Developer of Pro Food Systems since March 2015. As part of our affiliate relationship with Pro Food Systems, he has also served as our Regional Business Developer since October 26, 2017. From October 10, 2011 to March 2015, he served as Sales Representative of Missouri River Pages in Perham, Minnesota.

Regional Business Developer: Richard Dias

Mr. Dias has served as Regional Business Developer of Pro Food Systems since August 2017. As part of our affiliate relationship with Pro Food Systems, he has also served as our Regional Business Developer since October 26, 2017. From June 2015 to August 2017, he served as Account Manager Midwest for Trilliant FBN located in Little Chute, Wisconsin. From March 2013 to May 2015, he served as Regional Sales Director for Ronnoco Coffee located in St. Louis, Missouri.

Regional Business Developer: Clayton Waldie

Mr. Waldie has served as Regional Business Developer of Pro Food Systems since June 4, 2018. As part of our affiliate relationship with Pro Food Systems, he has also served as our Regional Business Developer since June 4, 2018. From July 2017 to June 2018, he was Vice President of Operations for Waldie Farms located in Marion, North Dakota. From March 15, 2015 to July 1, 2017, he served as the Director of Sales and Marketing for CD Hartnett Company located in Weatherford, Texas. From October 1, 2007 to March 1, 2015, he served as District Sales Manager for U.S. Foods, Inc., located in Rosemont, Illinois.

Regional Business Developer: John McMillin

Mr. McMillin has served as Regional Business Developer of Pro Food Systems since November 18, 2019. As part of our affiliate relationship with Pro Food Systems, he has also served as our Regional Business Developer since November 18, 2019. From May 2018 to September 2019, he served in Regional Sales for H. T. Hackney, located in Somerset, Kentucky. From September 17, 2018 to May 18, 2018, he served as Outside Sales Representative for Silent Guard, located in Somerset, Kentucky. From March 17, 2017 to August 2017, he served as Outside Sales Representative for UniFirst Uniform Services, located in Lexington, Kentucky. From May 2016 to February 2017, he served as Outside Sales Representative for G&K Services, located in Minnetonka, Minnesota. From December 2012 to May 2016, he served as Food Service Director & Category Manager West Region, for H. T. Hackney, located in Somerset, Kentucky.

Vice President – Business Development: Mason Hutchinson

Mr. Hutchinson has served as Vice President – Business Development since September 24, 2021. From April 28, 2020 to September 23, 2021, he served as a Regional Manager – Business Development. As part of our affiliate relationship with Pro Food Systems, he has also served as our Regional Manager – Business Development since April 28, 2020. From December 9, 2019 to April 27, 2020, he served as Regional Business Developer of Pro Food Systems. From April 2018 to November 2019, he served as Midwest Business Development Manager for Aperion Solutions, a division of Hussman Corporation, located in Bridgeton, Missouri. From August 2012 to April 2018, he served as Midwest Regional Sales Manager, for Crown Poly, Inc., located in Huntington, California.

Regional Business Developer: David McCutcheon

Mr. McCutcheon has served as Regional Business Developer of Pro Food Systems since May 26, 2020. As part of our affiliate relationship with Pro Food Systems, he has also served as our Regional Business Developer since May 26, 2020. From June 2018 to November 2019, he served as Territory Sales Manager for US Foods, located in Greensburg Pennsylvania. From June 2016 to May 2018, he served as Regional Sales Manager for QSR, located in Louisville, Kentucky. From April 2011 to December 2015, he served as Regional Sales Manager for Cambro Manufacturing, located in Huntington Beach, California.

Regional Business Developer: Tawnie Hedrick

Ms. Hedrick has served as Regional Business Developer of Pro Food Systems since May 29, 2020. As part of our affiliate relationship with Pro Food Systems, she has also served as our Regional Business Developer since May 29, 2020. From June 6, 2015 to May 13, 2020, she served as Mtn. States Supervisor MWC/DRT, for SAS/Advantage Sales, located in Boise, Idaho.

Regional Business Developer: James Patrick Ross

Mr. Ross has served as a Regional Business Developer for Pro Food Systems since January 18, 2022. As part of our affiliated relationship with Pro Food Systems, he has served as our Regional Business Developer since January 18, 2022. From January 2020 to January 2022, he served as a Territory Salesman for James River Petroleum in Richmond, Virginia. From September 2015 to January 2020, Mr. Ross served as a Salesman for National Resource Management in Boston, Massachusetts.

Regional Business Developer: Joel "Frankie" Wagner

Mr. Wagner has sserved as a Regional Business Developer for Pro Food Systems since November 7, 2022. As part of our affiliated relationship with Pro Food Systems, he has served as our Regional Business Developer since November 7, 2022. From March 2021 to November 2022, he served as a Licensed Insurance Broker for Independent Insurance Broker in Lauderdale, Mississippi. From October 2017 to March 2021, Mr Wagner served as a Business Development Executive for Gulf Coast Produce Distributors in Biloxi, Mississippi

Except as shown above, all positions have been located in Holts Summit, Missouri.

ITEM 3.

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4.

BANKRUPTCY

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

ITEM 5.

INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchise fee in the amount of $25,000 at the time you sign the Franchise agreement (the "Initial Franchise Fee").

Initial Training Fee

You must pay us an initial training fee (the "Initial Training Fee"). The amount of the Initial Training Fee will range from $12,500 to $25,000. The amount will depend on: (i) the size of the Freestanding Restaurant; (ii) the location of the Freestanding Restaurant; (iii) your experience as a restaurant operator; (iv) the number of other Restaurants you operate under the System; (v) the number of restaurants you operate under other systems we or our affiliates may develop; (vi) the number of your personnel to be trained; (vii) the experience of your personnel to be trained; (viii) food and lodging expenses in the area where the Freestanding Restaurant is located; (ix) travel expenses; and (x) other factors.

You must pay the Initial Training Fee in a lump sum before you begin training.

Option Deposit and Option Fee

We may enter into an Option Addendum with you. The Option Addendum will give you the right to develop additional Restaurants. You must pay us a deposit of $5,000 for each additional Restaurant you purchase the right to develop under the Option Addendum (the "Option Deposit"). You must pay all Option Deposits in a lump sum when you sign the Franchise Agreement.

Each time you exercise an option, you must pay us a lump sum of $12,500 for that location (the "Option Fee").

Extensions

You must open the Freestanding Restaurant for business by the end of one year after the date of the Franchise Agreement (the "Opening Date").

We may, on your request, grant you up to three 60-day extensions past the time allotted for you to open the Freestanding Restaurant. We do not charge any fee for the first extension. You must pay us $2,500 for the second extension and $5,000 for the third extension (the "Extension Fees").

Refundability

We will refund the entire amount of the Initial Franchise Fee and all Option Deposits you paid if you deliver a properly-executed original of the Franchise Agreement and all schedules to it, together with the Initial Franchise Fee and Option Deposits, to us, and we do not enter into the Franchise Agreement within 30 days.

Except, as described in the preceding paragraph all fees shown in this Item 5 are non-refundable.

Variances

The Initial Franchise Fee, Option Deposit, Option Fee, and Extension Fees are uniform for all Franchises we now offer through this Disclosure Document.

The Initial Training Fee will vary as shown above. However, we and our affiliates intend to charge similarly-situated franchisees substantially the same fees for the same training.
Although we have no present intention of varying the fees and costs, we reserve the right to do so. The factors we would consider in deciding whether to vary the fees may include the value of the area where the franchisee intends to develop Restaurants, the franchisee's qualifications, and other factors. For example, if we determine that a specific area is particularly valuable, we may increase the Initial Franchise Fee, or the Option Deposit or Option Fee, we charge for that area. If we determine that a particular franchisee brings special qualifications to the System, we may decrease the amount of the fees we charge that franchisee. If we grant a variance, we will comply with all notice requirements under negotiated sales statutes and rules.

ITEM 6.

OTHER FEES

Column 1 Type of Fee (Note 1)	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Payment Processing Fee Reimbursement	Approximately $0.14 per payment	Within 10 days of request for payment.	*See* Note 2
Collection Charge	The greater of: i) $100 per delinquent payment; or ii) our actual costs of collection, plus interest	Within 5 days of request for payment	*See* Note 3
Grand Opening Advertising	$7,500	Must be spent during period 30 days before your Opening Date to 60 days after your Opening Date	You will pay the amount needed to fulfill the Grand Opening Advertising Requirement to advertising companies and media, not to us.
Required Minimum Local Advertising Requirement	3.0% of Gross Sales per calendar quarter.	As incurred.	Payable to third parties. All advertising must be approved by us. You may apply funds spent through the MDF Program to your Minimum Local Advertising Requirement.

Column 1 Type of Fee (Note 1)	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Reimbursement of Franchise Taxes and Similar Taxes	Amount of taxes.	As incurred, within 10 days of request for payment.	If a governmental authority imposes a tax or charge on us or our affiliates related to fees you are obligated to pay us, the transactions between us, or other aspects of our relationship, you must reimburse us for the amount we pay. This requirement does not require you to reimburse us for federal, state, or local income taxes. The amount of the reimbursement would depend on a number of factors, like the governmental authority (federal, state, or local) that imposes the tax or charge, whether one or more governmental authorities impose it, the governmental authorities' need for revenue, and other factors.
Reimbursement of Relocation Costs	Our costs and expenses incurred related to your relocation.	Within 10 days of request for payment.	Payable only if you relocate the Freestanding Restaurant. Costs and expenses may include, but are not limited to, replacement site evaluation and attorney' fees and costs.
Approval of Suppliers	$0 to $500 for each supplier and item you request that we approve	Within 10 days of request for payment.	Payable only if you request that we approve a supplier or the items a supplier offers.

Column 1 Type of Fee (Note 1)	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Reporting Services	$0 to $5,000 a year	As required by supplier.	Our reporting service company converts data from your POS System into reports that help determine the best product mix for the Freestanding Restaurant, profitability, and other matters. Our current reporting service company is MicroSale.
Principal Training	Our then-current fee. Currently $2,500 per person	Within 10 days of request for payment.	Payable only if you request that we train an unreasonable number of Principals.
Manager Training	Our-then current fee. Currently $2,500 per person	Within 10 days of request for payment.	Payable only if we determine that you want us to train an unreasonable number of Managers.
Additional Training	Our then-current fee. Currently $75 to $200 per hour.	Within 10 days of request for payment.	We will provide you with any additional training that we believe would benefit the System.
Indemnification	Varies under circumstances	Within 10 days of request for payment.	You must reimburse us for losses from claims, damage, or lawsuits related to the Franchise Agreement.
Royalty Fee	3.0% of Gross Sales after discounts (coupons)	Payable to BluTaco Franchising, LLC monthly on the 10th day of the next month	Gross Sales after discounts (coupons) include all revenues from the franchised location, excluding sales tax ("Gross Sales")
Project Management Fee	$10,000 to $15,000	Within 10 days of request for payment	Travel expenses will be included in this fee.
Transfer of Franchise	$2,500	Prior to transfer	Paid if you assign or transfer, with our written permission, the rights to the Franchise Agreement.

Column 1 Type of Fee (Note 1)	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Transfer of Operating Rights	Varies	Within 10 days of request for payment.	We will not charge you a Transfer Fee for the transfer of Operating Rights; provided, however, you will reimburse us for our actual costs related to such transfer of Operating Rights, including without limitation, our attorneys' fees and costs.
Successor Agreement Fee	$7,500		The Successor Agreement Fee compensates us for the costs and out-of-pocket expenses, including attorneys' fees and costs.
Management Fee (Death or Disability)	Varies, but generally 10% to 20% of revenue earned during the period that we manage the Freestanding Restaurant.	As incurred	If you die or are disabled and your successor is unable to operate the Freestanding Restaurant, we may operate it until you find a suitable successor. If we operate the Freestanding Restaurant, we may charge a reasonable management fee for our efforts.
Reimbursement of Training Costs	$7,500	If You Terminate: Together with your notice of termination If We Terminate: So that we actually receive payment by the end of 10 days after we request it	Payable only: i) if you terminate the Franchise Agreement within one year after the Opening Date of the Freestanding Restaurant; or ii) if we terminate the Franchise Agreement within one year after the Opening Date due to your breach.

Column 1 **Type of Fee** (Note 1)	**Column 2** **Amount**	**Column 3** **Due Date**	**Column 4** **Remarks**
Damages (For Loss of Benefit of the Bargain We Are Entitled to Receive)	$1,500 to $25,000	On termination of the Franchise Agreement due to your breach. If you close a Restaurant where the closure does not involve termination of the Franchise Agreement.	
Liquidated Damages For Breach of Your Obligations on Termination)	$250 to $1,250 per day multiplied by the number of days you are not in compliance with your obligations upon termination	On your breach of your obligations upon termination of the Franchise Agreement	Your compliance with your obligations on termination of the Franchise Agreement is within your sole control.
Costs and Attorneys' Fees	Varies under circumstances	Within 10 days of request for payment.	You pay these fees only if you breach the Franchise Agreement or if there are other claims related to our relationship.
Regional Advertising Fee	Up to 2% of your Gross Sales	Payable monthly on the 10th day of the next month	Payable to Regional Advertising Cooperative, if established.
Audit Fee and Surcharge	Cost of Audit plus 10% of unpaid amounts	Within 10 days of request of payment.	Payable only if audit shows an understatement of at least 3% of Gross Sales or unpaid advertising expenditures of at least 3% of the amount required.
GRITT Summit and Franchise Advisory Meeting	Then current registration fees, plus travel expenses.	Paid to Pro Food Systems at the time of registration.	*See* Note 6. You must send at least one (1) individual to the annual GRITT Summit and Franchise Advisory Meeting. This person will be either your Principal or your Manager for each Freestanding Restaurant.

Explanatory Notes:

1. Unless we note otherwise, we impose and collect all fees, and all fees are payable only to us or our affiliate. All fees are uniformly imposed.

   You must pay all fees you are required to pay us, or our affiliate: i) in one lump sum; ii) by automatic debit or in another manner we may direct; iii) in United States dollars; and iv) so that we actually receive the payment by the end of the date the payment is due.

2. If we do not receive payment within the time period it is due, you will be charged a late fee, equal to the greater of $100 per delinquent payment or our actual costs of collection; plus ii) interest on the overdue amount at the lesser of 18% per annum or the highest rate then permitted by applicable law (the "Collection Charge").

3. The low end of the range assumes that you already own the equipment you will use in the operation of the Freestanding Restaurant. This equipment includes ovens**,** heated and cooled holding displays, signage, menu boards, point of sale materials, ingredients, packaging, and branded products. The high range shown assumes that you must purchase these items.

4. It is in your best interests, and in the best interests of our other franchisees and the System, that each BluTaco Restaurant, including the Freestanding Restaurant, be clean, up-to-date, well-maintained, and well-appointed. Therefore, you must redesign, refurbish, and remodel collectively, "Renovate") the Freestanding Restaurant to conform to: i) our then-current specifications for BluTaco Restaurants; and ii) our judgment as to the condition, state of repair, and general appearance of the Freestanding Restaurant compared to the condition, state of repair, and general appearance that we consider desirable.

5. We will not require you to Renovate the Freestanding Restaurant more often than one time every (7) seven years. We cannot predict, with any degree of accuracy, what your Renovation costs may be. If you must replace your signage, it would include the cost of replacement signage. If you must redecorate the Freestanding Restaurant and replace your equipment, it would include the costs of redecoration and the equipment you purchase. For planning purposes, you should assume that the costs will range from $10,000 to $100,000. However, if you have more signage than is standard, or if the Freestanding Restaurant needs substantial Renovations, your costs may be higher.

6. The GRITT Summit and the Franchise Advisory Meeting are currently held simultaneously. This arrangement will be reviewed on an annual basis and is subject to change.

ITEM 7.

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of Expenditure	Column 2 Amount		Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to Be Made
	Low	High			
Franchise Fee	$25,000	$25,000	As Arranged	At signing of Agreement	BluTaco Franchising, LLC
Architectural and Engineering Fees Note 1)	$0	$25,000	As Arranged	As Arranged	Architects, Engineers
Land, Construction, Remodeling, and Site Improvements Note 1)	$50,000	$2,250,000	As Arranged	As Arranged	Contractors
Furniture, Fixtures, Equipment, Technology, Décor, and Signage Note 2)	$32,500	$250,000	As Arranged	As Arranged	Approved Suppliers
Training Expenses: Wages and Benefit Costs Note 3)	$5,000	$20,000	As Incurred	During Training	Your Employees; Suppliers of Benefits
Grand Opening Advertising Note 4)	$5,000	$10,000	As Incurred	As Arranged	Advertisers
Professional Fees Note 5)	$2,500	$15,000	As Incurred	Prior to opening	Attorneys, Accountants
Insurance Premiums for One Year Note 6)	$5,000	$20,000	Lum Sum	Prior to opening	Supplies
Payroll	$10,000	$60,000	As Incurred	During pre-opening and post-opening	Employees
Training, Travel and Living Expenses while Training Note 7)	$15,000	$32,500	As Incurred	Before and during training	Us; Hotels, restaurants and airlines
Opening Coordinator, Opening Training Team (A-Team) Trainers	$10,000	$25,000	As Incurred	During pre-opening and post-opening	
Security Deposits, Utility Deposits, Business Licenses, and Other Prepaid Expenses Note 8)	$1,000	$5,000	As Arranged	Prior to opening	Utilities, Governmental Authorities

Column 1 Type of Expenditure	Column 2 Amount		Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to Be Made
	Low	High			
Opening Inventory	$2,500	$15,000	As Incurred	As Arranged	Approved Suppliers
Additional Funds – 3 Months (Note 9))	$2,500	$12,500	As Incurred	As Incurred	Suppliers, Employees, Tradesmen
Total	$166,000	$2,765,000			

Explanatory Notes:

1. The low range shown in the table assumes that the space is already properly configured and needs no construction. The high range shown assumes that you must construct the interior of the Freestanding Restaurant from empty shell space in which you have flexibility over the use of the space.

2. The low range shown in the table assumes that you purchase your signage and lease the other equipment that you need. The high range assumes that you purchase your equipment and signage, including a computer system and electronic cash register system. You are required to purchase or lease all restaurant equipment to cook and warm food, all smallwares, retail technology, sneeze guard, custom cabinetry, hood, fryer and other items from our approved vendor. This estimate does not include the installation of this purchased equipment, which is included in the estimate relating to Land, Construction, Remodeling, and Site Improvements.

3. Training expenses typically incurred while attending training.

4. You are required to spend at least $5,000 on the promotion of your grand opening.

5. The low range shown in the table assumes that: i) you do not use an attorney to review the Franchise Agreement or this Disclosure Document, and you do not have any construction contracts to review; ii) you add the Freestanding Restaurant to your existing accounting systems; and iii) your existing accountant processes your payroll and does your bookkeeping as a part of the payroll and bookkeeping for your existing business without payment of any additional fee.

   The high range shown assumes that: i) you engage legal counsel to review the Franchise Agreement, this Disclosure Document, and your construction contracts; ii) your existing accountant adds the Freestanding Restaurant to your existing accounting systems for a minimal additional fee; and iii) your existing accountant processes your payroll and does your bookkeeping as a part of the payroll and bookkeeping for your existing business for a minimal additional fee.

6. Insurance costs can vary greatly dependent upon location and other factors affecting your Restaurant. The amounts for insurance are estimates for one full year after you purchase the policy.

7. You must pay us the Initial Training Fee detailed in Item 5, which will range from $12,500 to $25,000. In addition, this chart estimates the costs for transportation, lodging and meals for your trainees. These incidental costs are not included in the Initial Training Fee. Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation and living expenses.

8. These costs include deposits for utilities, prepaid expenses, and other miscellaneous deposits and prepaid costs you may incur.

9. These are estimates of the funds you will need for the typical first three months of operation of the Freestanding Restaurant. The figures include costs of performing background checks, hiring employees, payroll costs, health insurance costs, purchasing miscellaneous products and services, and additional amounts you will spend during the first three months of operation. They do not include any draw or salary by your owners unless they are acting in the capacity of a Restaurant Manager. These amounts may vary widely depending on the number of employees you have, the rates you pay your employees, your costs of insuring your employees, and similar variables. In compiling the figures for Additional Funds, we relied on the experience of our officers in the development, opening, and operation of BluTaco restaurants.

ITEM 8.

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

<u>Your Obligation to Purchase or Lease Items</u>

We and our franchisees have an interest in protecting the quality and integrity of the System. To protect our common interests, we place restrictions on the products and services you purchase, and on the sources from which you purchase them.

No franchisor officer owns an interest in any supplier.

We currently are not, but reserve the right to be so in the future, an approved supplier of the products and services used in the operation of the Freestanding Restaurant.

Our parent, Pro Food Systems, is an approved supplier; and the only approved supplier of the following proprietary products (the “Proprietary Products”): (i) food preparation equipment; (ii) cooking equipment; (iii) hot food cases; (iv) food inventory; and (v) branded packaging.

<u>Grant and Revocation of Approval of Alternative Suppliers</u>

We do not currently have written criteria for approving suppliers. If we develop written criteria, we will provide you with a copy on your written request.

We do not permit you to contract with alternative suppliers to obtain the Proprietary Products. We also have the right to control the ingredients you use in connection with the Products and Services, the packaging of the Products and Services, and similar matters. You must obtain our approval of any alternative supplier of these items, and the products or services it offers, before you use the supplier. To secure our approval: i) you must submit a written request to us for approval, together with any samples, specifications, and other information we may request; ii) the proposed supplier must demonstrate to our reasonable satisfaction that it is able to supply the items to you in compliance with our specifications; and iii) the proposed supplier must demonstrate to our reasonable satisfaction that it is in good standing in the business community with respect to its financial soundness and integrity, and the reliability of the items it offers. We may charge you a fee ranging between $25 to $500 for each supplier and item you request that we approve.

If you ask us to approve an unreasonable number of alternative suppliers, products, or services, we have the right to require you to reimburse us for our actual costs and expenses of evaluations we perform.

We will give you notice of our approval or disapproval by the end of 30 days after you or the proposed supplier deliver to us the last information we request in connection with the approval.

We may revoke our approval of any supplier, good, or service if we determine, in our exercise of reasonable business judgment, that revocation is in your best interests, our best interests, or the best interests of the System. If we revoke our approval, we will give you written notice of the revocation.

We make our standards and specifications available to our franchisees. We will provide you with a copy of them on your written request. We may disclose them to suppliers you propose using, provided they sign agreements we prepare to protect the confidentiality of our standards and specifications, but we are not required to do so. We have no formal procedures for modifying our standards and specifications; we do so based on our judgment as to how to best serve our franchisees and their customers, and how to enhance profits.

Revenue or Other Material Consideration from Required Purchases or Leases by Franchisees

We require you to purchase or lease Proprietary Products and other products and services from us or our Parent. We and our Parent: i) may include a reasonable markup in the price of any products and services we or they sell you; ii) may derive profit from the products and services we or they sell you; and iii) may receive revenue or other material benefit as a result of consideration you or any of our other franchisees pay us or our Parent.

We require you to purchase or lease products and services from third parties. We and our Parent may enter into arrangements with these third parties under which we and our Parent receive revenue or other material benefit, like rebates, discounts, and allowances, as a result of consideration you or any of our other franchisees pay to the third parties.

We may receive revenue or other material consideration from your purchases and leases of products and services from us or our Parent. We anticipate that this consideration will be a percentage of the dollar amount of your purchases and leases. These percentages would vary depending on: i) our cost of producing or purchasing the good or service; ii) the costs and difficulties we incur in storing and shipping the item; iii) competition in the marketplace; iv) the requirements of law; and v) other factors. Many products are commodity based and the prices can fluctuate daily, and the percentages could range from less than 1% to 50% or more of the amount you pay.

Based on the terms of an agreement between Pro Food Systems and us, Pro Food Systems pays to us a fee, on a quarterly basis, equal to one-half of one percent (0.5%) of the total of all purchases by our franchisees.

During fiscal year ended December 31, 2023, Pro Food Systems did not receive any revenue from franchisees for any required purchases.

During fiscal year ended December 31, 2023, we did not receive any fees from Pro Food Systems based on the terms of this agreement.

We may receive revenue or other material consideration from suppliers we designate, where the products or services our franchisees purchase or lease are not Proprietary Products. We anticipate that consideration we or our Parent may receive, if any, from our franchisees' purchases and leases of products and services from designated suppliers would be a percentage of the System's purchasing levels. These percentages would vary depending on: i) the supplier's policies; ii) the volume purchased; iii) the customs of the supplier's industry; iv) the requirements of law; v) competition in the marketplace; and vi) other factors. The percentages could range from less than 1% to 8% or more of the amount of the System's purchases.

Your required purchases and leases, which include purchases and leases of products and services from us or our Parent or any designated supplier of ours, and purchases and leases of products and services in accordance with our specifications, will represent approximately 25% to 80% of your total purchases and leases of products and services to establish the Freestanding Restaurant and approximately 55% to 80% of your total purchases and leases of products and services to operate the Freestanding Restaurant.

You are required to the following insurance coverages:

Type of Coverage	Amount
Commercial General Liability	$1 million per occurrence and $2 million in the aggregate
Automobile Liability, for Owned, Non-Owned, and Hired Vehicles	$1 million per claim, including bodily injury and property damage
Workers' Compensation and Employer's Liability	$500,000 per accident $500,000 disease per employee with a policy limit of $500,000 in the aggregate
Excess Liability Umbrella	$2 million per occurrence and in the aggregate
Employment Practices Liability	$50,000 per claim and $50,000 in the aggregate, for defense of claims
Business Interruption	Actual loss sustained for 18 months
Unemployment Compensation, Disability, Social Security, and other insurance required by law	As prescribed by law

Benefits We Provide Based on Your Purchases

We will provide you with material benefits based on your purchases of particular products or services from us or our Parent. We refer to these products or services as the "Branded Products."

We have two programs to provide you with benefits: the "VIR Program" and the "MDF Program."

1. VIR Program. "VIR" stands for "Volume Incentive Rebate." Under the VIR Program, we will pay you a cash rebate based on the amount of your net purchases of Branded Products.
2. MDF Program. "MDF" stands for "Marketing Development Fund." Under the MDF Program, we will accrue a portion of your net purchases of Branded Products, and will reimburse you for a portion of your expenditures for advertising you publish.

We describe the VIR Program and the MDF Program below.

VIR Program

Under the VIR Program, we will pay you a quarterly cash rebate based on the amount of your net purchases of Branded Products. We will pay you a rebate equal to 11% of your total net purchases of Branded Products. This rebate will be paid by the 15th of the month following the end of the previous calendar quarter.

As an example of the rebate calculation, assume your total net purchases of Branded Products during quarter are $100,000. We would pay you a rebate of $11,000, i.e. $100,000 x .11..

There are conditions on our obligation to pay you the rebate:

1. Compliance. You must be in compliance with all agreements with us and our Parent.

All amounts under the VIR Program are ours until we actually pay your share to you.

MDF Program

Under the MDF Program, we have established an advertising fund. We refer to this fund as the "Accrual Fund." We will deposit 9% of your net purchases of Branded Products into the Accrual Fund.

The Accrual Fund is our money that we set aside to invest on your behalf to help grow and/or improve your Restaurant. We will consult with you and collaborate with you to develop strategies to invest these funds. However, the ultimate use of the dollars within this Accrual Fund is at our sole discretion.

To be eligible for reimbursement from the Accrual Fund, the advertising must be "Qualified Advertising." "Qualified Advertising" is advertising in broadcast, print, or electronic media, or any other advertising material or signage we approve for reimbursement with MDF Program funds, that: i) you submit to us in the manner we specify for our approval before you purchase it or publish it; and ii) we approve in writing.

To receive a reimbursement from the Accrual Fund, you would submit a claim to us within 90 days after the Qualified Advertising was published. We refer to the claim as an "Advertising Claim." If we approve the Advertising Claim, we will reimburse you for the amount of the Advertising Claim, up to the amount of the balance we are holding for you in the Accrual Fund the "Balance"). We may also pay the amount of the Advertising Claim directly to the supplier of advertising.

We want you to advertise regularly. To give you an incentive to advertise regularly, any portion of your Balance in the Accrual Fund that is over one Program Year old will be removed from the Balance.

To be eligible to receive the reimbursements, you must be in compliance with all agreements with us and our Parent.

General Matters

Currently, we have no purchasing or distribution cooperatives for the System.

We negotiate purchase arrangements with our Parent and some of the other suppliers we designate, including price terms, for the benefit of franchisees.

ITEM 9.

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement[Note 1)]	Disclosure Document Item
a. Site selection and acquisition/lease	Section 6.1	Item 11
b. Pre-opening purchases/leases	Section 7	Items 5 and 8
c. Site development and other pre-opening requirements	Section 6	Item 11
d. Initial and ongoing training	Section 13	Items 6, 7, and 11
e. Opening	Section 8	Item 5
f. Fees		Items 1, 5, and 7
g. Compliance with standards and policies/operating manual	Section 12	Items 8, 11, and 16
h. Trademarks and proprietary information	Recitals, Section 11	Items 13 and 14
i. Restrictions on products/services offered	Section 10	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Item 11
k. Territorial development and sales quotas	Section 9	Item 12
l. Ongoing product/service purchases	Section 10	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	Section 7	Item 12
n. Insurance	Section 17	Items 6 and 7
o. Advertising	Section 9	Items 6, 7, 8, and 11
p. Indemnification	Section 11, Section 17, Section 18	Item 6
q. Owner's participation/management/staffing	Section 14	Item 15
r. Records and reports	Section 16	Item 6
s. Inspections and audits	Section 16	Item 6
t. Transfer	Section 18	Items 6 and 17
u. Renewal	Recitals, Section 3	Item 9
v. Post-termination obligations	Section 2	Item 9
w. Non-competition covenants	Section 3	Item 9

Obligation	Section in Franchise Agreement[Note 1)]	Disclosure Document Item
x. Dispute resolution	Section 22	Item 17
y. Other		
Signage	Section 7	Item 9
Point of Sale ("POS") System	Not Applicable	Item 9
Equipment	Section 10	Items 9 and 11
Test Marketing	Section 13	Item 9

Explanatory Note:

1. All references are to the Franchise Agreement unless otherwise noted.

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, BluTaco is not required to provide you with any assistance.

Pre-Opening Obligations

Before you open the Freestanding Restaurant:

1. We will review the proposed site for the Freestanding Restaurant. You have the sole responsibility for locating the site where you propose to develop the Freestanding Restaurant and for negotiating the purchase or lease of the site. We refer to your proposed site as the "Proposed Site." We may assist you in selecting a Proposed Site and with negotiating the purchase or lease of the Proposed Site, but we are not obligated to do so. We do not generally own the premises and lease it to you. As a result, you will generally purchase or lease the premises from a third party. We must approve the location where you propose to develop the Freestanding Restaurant.

2. We refer to the location we approve as the "Approved Location." We will not generally own the premises or lease it to you. (Franchise Agreement, Section 6.1).

3. If you lease the Proposed Site, you must deliver notice to us that you have selected the Proposed Site, together with the address and an unexecuted copy of the lease for the Proposed

Site, so that we actually receive them by the end of 90 days after the date of the Franchise Agreement. If you purchase the Proposed Site, you must deliver notice to us that you have selected the Proposed Site, together with the address and unexecuted copies of the purchase documents for the Proposed Site, so that we actually receive them by the end of 90 days after the date of the Franchise Agreement. (Franchise Agreement, Section 6.1).

4. We will have 30 days after the date we receive your notice that you have selected the Proposed Site to request information that we deem relevant to our decision to approve or reject the Proposed Site. (Franchise Agreement, Section 6.1).

5. We will provide you, on loan, with one copy of our Operations Manual. (Franchise Agreement, Section 12.1)

6. We will provide you with our Principal Training and Manager Training. (Franchise Agreement, Section 13.2.1)

7. We will provide you with our Opening Assistance. (Franchise Agreement, Section 13.3)

8. We will provide you with standards and specifications for furniture, fixtures, equipment, décor, and signage. (Franchise Agreement, Section 7.2)

9. Consult with you regarding the design, construction, remodeling, equipping, and decorating of the Freestanding Restaurant.

<u>Time for Opening</u>

You must open the Freestanding Restaurant for regular business operations by the end of the date set forth in the Franchise Summary of the Franchise Agreement. You may not open and commence regular business operations until we have given you our written approval to do so. (Franchise Agreement, Section 8.1)

If you are in compliance with the Franchise Agreement, we may grant you up to three (3) sixty (60) day extensions of the Opening Date. If you have not opened the Freestanding Restaurant by the end of the third extension, we will have the right to terminate the Franchise Agreement. (Franchise Agreement, Section 8.2)

If you have not opened the Freestanding Restaurant by the end of the Opening Date, we will have the right to terminate the Franchise Agreement.

<u>Training</u>

We will provide you with our BluTaco Manager Training. (Franchise Agreement, Section 13).

Your Principals and your Managers must attend, and successfully complete, to our satisfaction, Principal Training and Manager Training, respectively. Our Training Program as of the date of this Disclosure Document is as follows:

TRAINING PROGRAM

PRINCIPAL TRAINING(Note 1)

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-the-Job Training	Column 4 Location
Concept Overview	8	0	*See* Note 2
Operations Review - Unit One	4	4	*See* Note 2
Operations Review - Unit Two	4	4	*See* Note 2
Market Tour	0	8	Local Market

MANAGER TRAINING(Note 1)

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-the-Job Training	Column 4 Location
Orientation	4	0	*See* Note 2
Planning, Leading, Organizing, Controlling, Managing, Staffing, and Training	4	2	*See* Note 2
Equipment	6	4	*See* Note 2
Back-of-House Training	4	8	*See* Note 2
Kitchen Management Training	4	4	*See* Note 2
Front-of-House Training	6	6	*See* Note 2
Service Management Training	2	8	*See* Note 2
Inventory Control	2	2	*See* Note 2
Shift Management Training	3	4	*See* Note 2
Training Overview; Questions and Answers	2	2	*See* Note 2

Explanatory Notes:

1. The actual days and hours of classroom training and on-the-job training will vary depending on a number of factors, like the size of the training class, the experience of attendees in the class, and the experience, strengths, and needs of the attendees.

2. We will conduct all Principal Training and Manager Training at our headquarters, a Certified Training Restaurant, or another Restaurant we designate.

We will conduct training classes on an as-needed basis. We may certify franchisee-owned Restaurants as appropriate places to conduct training (the "Certified Training Restaurant"). We have the sole right to determine where we conduct training. (Franchise Agreement, Section 13).

Our instructional materials consist of our Operations Manual, hands-on training and coaching, and discussions. (Franchise Agreement, Section 12).

The experience of our instructors is as follows:

Name of Instructor[1]	**Years of Experience Instructor Has in Subject Instructor is Teaching**	**Years of Experience Instructor has with our Affiliate, Pro Food Systems**
Tim Huntington	10	10
Dwight Stiles	11	11
Craig Mulcahy	9	9
Tim Sullivan	11	11
Jason Weeks	2	2
Rob Lawrence	2	2
Joanne Cavender	1	1
Katie Degn	1	1

1. The instructors are employees of our affiliate, Pro Food Systems.

Explanatory Notes:

We may also use instructors who are independent contractors.

You must pay the Initial Training Fee. You may send a reasonable number of Principals to Principal Training and a reasonable number of Managers to Manager Training at no additional charge. If we determine that you are sending an unreasonable number of attendees, we may charge you a reasonable fee to train the additional attendees. We will list our current prices for Principal Training and Manager Training in the Operations Manual. (Franchise Agreement, Sections 13.1, 13.2).

Our current fee for these additional attendees is $2,500**,** whether the training is Principal Training or Manager Training. (No specific reference in Franchise Agreement). *See* Item 6 of this Disclosure Document.

In determining whether the number of attendees you are sending is reasonable, we may consider: (i) whether you already have the number of Managers that we require; (ii) the volume of business of the Freestanding Restaurant; (iii) the reliability of your existing Managers; (iv) the skills of your existing Managers; (v) your Manager turnover; and (vi) other factors. (No specific reference in Franchise Agreement). *See* Item 6 of this Disclosure Document.

If the Freestanding Restaurant is your first Restaurant being operated under the System, at least one of your Principals must attend and complete Principal Training to our satisfaction, and at least one of your Managers must attend and complete Manager Training to our satisfaction: (i) by the end of 120 days after the Effective Date of the Franchise Agreement; or (ii) before you open the Freestanding Restaurant, whichever is sooner. (Franchise Agreement, Section 13.2).

If you operate other restaurants under the System, your personnel required to attend the initial Manager Training must attend and complete the training to our satisfaction before you open the Freestanding Restaurant. (Franchise Agreement, Section 13.2).

If we extend your Opening Date, we may require any Managers who previously received Manager Training to attend and complete to our satisfaction additional training or refresher training to help ensure that their skills remain current. (Franchise Agreement, Section 13.2).

When your personnel changes, all new Principals and Managers must attend our next regularly-scheduled Principal Training or Manager Training, as we may require, and complete the training to our satisfaction. The fee to train a reasonable number of additional and replacement Principals and Managers is included in the Initial Training Fee. (Franchise Agreement, Section 13.2).

You must have a Manager who has completed our Manager Training to our satisfaction physically present at all times the Freestanding Restaurant is open for business. (Franchise Agreement, Section 14.5).

You may want additional individuals in the Freestanding Restaurant to attend our training. If you do, we may allow them to attend training. However, as a condition of attending training, we may require them to enter into our form of Confidentiality Agreement and Covenant Not to Compete for individuals.

You must pay all expenses you designated attendees incur related to attending any training we conduct, and our Convention. These expenses may include, but will not be limited to, your attendees' travel, food, lodging, wage, benefit, and other costs and expenses. (Franchise Agreement, Section 13.6).

Except for the Opening Assistance, we will determine the location, duration, and program of any training we conduct, and the Convention. (Franchise Agreement, Section 13.6).

We will not pay any compensation for any services you or your attendees perform in the course of any training. (Franchise Agreement, Section 13.6).

We may train any number of attendees from any number of BluTaco Restaurants at any training we conduct, at the same time as we train your attendees. We may train attendees from other systems we or our affiliates may develop, at the same time as we train your attendees. (Franchise Agreement, Section 13.6).

If you have five or more Freestanding Restaurants under the System, you must have an Area Director. Your Area Director will be responsible for planning, organizing, controlling, and staffing the management and operation of the Freestanding Restaurants and such other duties as you may prescribe. If your Area Director has not already completed Manager Training to our satisfaction, your Area Director must attend and complete Manager Training to our satisfaction before beginning his or her Area Director duties. (Franchise Agreement, Section 13.2).

We may certify the Freestanding Restaurant as a Certified Training Restaurant. To become a Certified Training Restaurant, the Freestanding Restaurant must meet the same criteria as our Company-owned training Restaurants. Once certified, your Certified Training Restaurant may train your Managers, thus reducing your costs and expenses related to training new management personnel. We may revoke the status of the Freestanding Restaurant as a Certified Training Restaurant if we determine that the Freestanding Restaurant's operations are inconsistent with the requirements of a Certified Training Restaurant. (Franchise Agreement, Section 13.2).

Additional Training

We may develop additional training that we believe would benefit the System. We refer to this training as "Additional Training." If we develop Additional Training, we may designate the training as "optional" or "mandatory." If we designate Additional Training as mandatory, you and those of your Principals, Managers, and other personnel we specify must attend and complete the training to our satisfaction, at the times we specify. We reserve the right to charge a reasonable fee for Additional Training; however, the fee will not exceed our costs of developing and conducting the Additional Training, including our costs related to attending the training. The fee for Additional Training is not included in the Initial Training Fee, and will be in addition to the amount of the Initial Training Fee. (Franchise Agreement, Section 13.4)

For planning purposes, you should assume that our costs for Additional Training will range from $25 to $500. However, they will depend on several factors, like the place where we conduct the Additional Training (e.g., at our headquarters, at a BluTaco Restaurant near the Freestanding Restaurant, or at a central location), and whether we must engage a specialist to provide it. As a result, our costs could be higher. We have not yet developed any Additional Training, so we cannot predict with any degree of accuracy where we would conduct it or its content. We do not expect to conduct it more often than once a year; however, if the demands of the market or other factors require us to conduct it more often, we may do so. (Franchise Agreement, Section 13.4)

During the operation of your Freestanding Restaurant, we will:

1. List your Freestanding Restaurant on any Internet site we maintain that lists franchised or Company-owned BluTaco Restaurants operating under the System to the same extent as we list other Restaurants generally.

2. Permit you to develop an Internet site. *See* "Internet Advertising," below in this Item 11.

3. Permit you to develop a site on Facebook and similar social network services collectively, the "Social Media Sites"). *See* "Internet Advertising," below in this Item 11.

4. Grant you access to advertising and promotional programs and material we or our designated advertising agency may develop for the System.

5. Allow your additional or replacement Managers to attend Manager Training. *See* Item 6 of this Disclosure Document; *see also* "Training," below in this Item 11.

6. Provide you with any additional training that we believe would benefit the System. *See* Item 6 of this Disclosure Document; *see also* "Training," below in this Item 11.

7. Defend the Marks and bear all costs of this defense. *See* Item 13 of this Disclosure Document.

8. Provide you with access to the products and services we may offer. *See* Item 8 of this Disclosure Document.

9 Evaluate suppliers you propose to use and the products, equipment, services, supplies, or merchandise they offer. *See* Item 8 of this Disclosure Document.

Operations Manual

We loan you during the term of the Franchise Agreement one copy of an Operations Manual, which may consist of one or more handbooks or manuals and other written, video or audio materials (collectively the "Operations Manual"). The Operations Manual contains mandatory and suggested specifications, standards and operating procedures we prescribe for the operation of your Freestanding Restaurant and information relative to your other obligations. We have the right to modify the Operations Manual to reflect changes in products, services, specifications, standards and operating procedures, including marketing techniques. No addition or modification may alter your fundamental status and rights. You must keep one copy of the Operations Manual current and the master copy of the Operations Manual we maintain at our principal office controls if there is a dispute relative to the contents of the Operations Manual (Franchise Agreement, Section 12). The Operations Manual contains a total of 221 pages as of the date of this Disclosure Document. Exhibit F to this Franchise Disclosure Document is the table of contents of the Operations Manual.

Advertising Programs

Grand Opening Advertising Requirement

You must spend at least $7,500, as we prescribe, on a program of advertising promoting the grand opening of the Freestanding Restaurant. We refer to this requirement as the "Grand Opening Advertising Requirement." You must spend this amount during the period beginning 30 days before your Opening Date and ending 60 days after the Opening Date. (Franchise Agreement, Section 9.1)

Local Advertising Requirement

You must spend at least three percent (3%) of your Gross Sales of the Freestanding Restaurant on a program of local advertising and promotion using the Marks in the Territory or in areas adjoining it (the "Local Advertising Requirement"). Such Local Advertising Requirement shall be prorated, on a straight-line basis, for each period at the beginning and end of the Term that is not a part of a whole calendar quarter. Expenditures on civic and charitable programs will be considered "local advertising and promotion", provided such programs display the Marks prominently or make material reference to the Freestanding Restaurant. You may deduct good-faith rebates you receive from advertising or promotional activities from the amount of the Local Advertising Requirement. You may apply funds spent through the MDF Program to your Local Advertising Requirement. Company-Owned Restaurants will spend the same amounts for local advertising and promotion as franchised restaurants are required to spend. (Franchise Agreement, Section 9.2)

Regional Advertising Fee

We may determine that all Restaurants in a given market should participate in a market-wide cooperative advertising arrangement (a "Regional Advertising Cooperative"). We will define such market area by one or more whole or partial cities, counties, Nielsen Designated Market Areas, or otherwise. If we determine that you must participate in a Regional Advertising Cooperative, we will notify you, in writing. At that time, your participation in the Regional Advertising Cooperative will be mandatory. (Franchise Agreement, Section 9.3)

We will specify the percentage of your Gross Sales that you must contribute to the Regional Advertising Cooperative (the "Regional Advertising Fee"); provided, however, such Regional Advertising Fee will not exceed two percent (2%) of your Gross Sales. You may reduce the percentage that you are required to spend to satisfy the Local Advertising Requirement by the percentage you contribute to the Regional Advertising Cooperative. (Franchise Agreement, Section 9.3.1)

Company-Owned Restaurants in an area where we establish a Regional Advertising Cooperative will pay the same Regional Advertising Fee percentage as similarly-situated franchised Restaurants in such area are required to pay. (Franchise Agreement, Section 9.3.2)

We will have sole discretion over the application and disbursement of sums the Regional Advertising Cooperative collects, and the administration of the Regional Advertising Cooperative, all of which we may modify from time to time. (Franchise Agreement, Section 9.3.3)

You acknowledge and agree that: (i) the Regional Advertising Cooperative is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System in the area covered by the Regional Advertising Cooperative; and (ii) we have no obligation in administering the Regional Advertising Cooperative to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee or geographic region in the Regional Advertising Cooperative benefits directly or pro rata from Regional Advertising Cooperative advertising or promotional activities. (Franchise Agreement, Section 9.3.4)

If we grant voting power to Restaurants in the Regional Advertising Cooperative, Company-Owned Restaurants: (i) will have the same voting rights as franchisee-owned restaurants; and (ii) subject to subparagraph (i), will not have controlling voting power over fees that the Regional Advertising Cooperative imposes. (Franchise Agreement, Section 9.3.5)

We may prepare written governing documents for the Regional Advertising Cooperative. If we prepare such written governing documents, we will provide you with a copy upon your written request. (Franchise Agreement, Section 9.3.6)

We will prepare an accounting of the books of the Regional Advertising Cooperative each year. We will provide you with a copy of such accounting upon your written request. (Franchise Agreement, Section 9.3.7)

We reserve the right to dissolve the Regional Advertising Cooperative at any time. No such dissolution will be effective until all monies in the Regional Advertising Cooperative have been spent for advertising or promotional purposes or returned to their contributors in proportion to their contributions. (Franchise Agreement, Section 9.3.8)

We reserve the right to change the area covered by the Regional Advertising Cooperative, or to merge such Regional Advertising Cooperative with other cooperatives. (Franchise Agreement, Section 9.3.9)

We may use Regional Advertising Cooperative contributions to meet any and all costs and expenses we may incur arising out of or related to ours administration of the Regional Advertising Cooperative and the preparing, implementing, placing, and maintaining of Regional Advertising Cooperative advertising and promotions. (Franchise Agreement, Section 9.3.10)

<u>Access to Advertising.</u>

We will grant you access to advertising and promotional programs and material we or our designated advertising agency may develop for the System. You will receive, at no additional charge, access to all advertising and promotional programs and materials produced for the System for radio, television, or print media, including ad slicks, circulars, direct mail pieces, broad sheets, newsletters, and brochures. You will pay the hard costs associated with such programs and materials, such as the cost of purchasing media, film, plates, paper, and other hard costs; any shipping and handling charges for delivering such items to you; and all costs of having such materials published in the media. You will pay all costs of customizing such programs and materials. (Franchise Agreement, Section 9.4)

<u>Control of Advertising.</u>

You will use only advertising and promotional materials that we have provided to you or that we have approved in writing in advance. (Franchise Agreement, Section 9.5)

If you desire to use advertising and promotional materials that we <u>have</u> provided to you, you must submit to us a description of the media in which you propose to use them for our approval prior to such use. We will have 21 days in which to approve or disapprove the use of such materials in the media we propose. If we have not disapproved, in writing, the use of such materials in the media you propose by the end of 21 days after we receive the descriptions from you, such use will be deemed approved. (Franchise Agreement, Section 9.5.1)

If you desire to use advertising and promotional materials that we <u>have not</u> provided to you, you must submit such advertising and promotional materials, together with a description of the media in which you propose to use them, to us for our approval prior to such use. We will have 21 days in which to approve or disapprove such materials and their use in the media you propose. If we have not disapproved, in writing, the use of such materials in the media Franchisee proposes by the end of 21 days after we receive the descriptions from you, they will be deemed approved. (Franchise Agreement, Section 9.5.2)

You will not: (i) issue any press release or similar promotion related to the Restaurant, the Freestanding Restaurant, or the System unless we expressly approve such press release or promotion in writing in advance; (ii) conduct any advertising or promotional activities that fall outside our guidelines; or (iii) advertise the Freestanding Restaurant with any business that is not operated under the Franchise Agreement or some other BluTaco franchise agreement, without our prior written consent. (Franchise Agreement, Section 9.5.3)

You acknowledge and agree that all advertising materials we prepare or provide are protected by copyright and are our sole and exclusive property. (Franchise Agreement, Section 9.5.4)

VIP Programs

We may establish VIP guest programs, frequent-guest programs, gift card programs, coupon programs, and other promotional activities and programs (collectively, the "VIP Programs"). If we develop such VIP Programs, you must participate in such VIP Programs as we may direct. (Franchise Agreement, Section 9.6.1)

In connection with such VIP Programs: (i) you acknowledge and agree that we may modify all or any part of any VIP Program to adapt to changes in technology, the marketplace, economic conditions, business conditions, the hospitality profession, federal, state and local law, the demands of consumers, our business needs, the needs of the System, and otherwise; (ii) You acknowledge and agree that such modifications may include additions to, deletions from, and modifications to the VIP Programs; and modifications to any or all of the rules, guidelines, standards, specifications, plans, programs, and procedures related to the VIP Programs; (iii) you acknowledge and agree that you expect us to change the VIP Programs; (iv) you covenant, warrant, represent, and agree that you will comply with all rules, guidelines, standards, specifications, plans, programs, and procedures related to the VIP Programs as we add to, delete from, and modify any or all of them from time to time; and (v) we acknowledge and agree that such additions, deletions, and modifications will not materially and unreasonably increase your obligations or decrease your rights set forth in the Franchise Agreement. (Franchise Agreement, Section 9.6.2)

Franchisee acknowledges and agrees that: (i) the VIP Programs will be deemed to be a part of the System for all purposes; (ii) Franchisee will pay any and all costs and expenses arising out of or related to its participation in such VIP Programs; and (iii) Franchisee will comply with all Laws related to the VIP Programs, including without limitation the Fair Credit Reporting Act, and laws governing privacy, consumer information, escheatment, and unclaimed property. (Franchise Agreement, Section 9.6.3)

Internet Advertising

We will list the Freestanding Restaurant on any Internet site we maintain that lists franchised or Company-owned Restaurants operating under the System to the same extent as we list these other Restaurants generally. (Franchise Agreement, Section 9.7.1)

You may create an Internet site (your "Internet Site") for the Freestanding Restaurant. Your Internet Site must hyperlink off one or more Internet sites that we designate. You must use and publish all templates and forms we direct you to use and publish in connection with the Internet Site. You must submit to us all text, graphics, photographs, and other material (collectively, the

"Internet Content") you propose to use on your Internet Site, including all material modifications to the Internet Content, before you use it. We have the right to: (i) approve, disapprove, and modify the Internet Content; (ii) format, upload, or hyperlink your Internet Site to any other Internet site related to the System that we designate; and (iii) modify, use, print, publish, display, store, and transmit the Internet Content, and to authorize third parties to modify, use, print, publish, display, store, and transmit the Internet Content. (Franchise Agreement, Section 9.7.2)

Social Media Advertising

You may establish sites on Facebook and other social media and social network services. We refer to your sites on these media and services as your "Social Media Sites." We have the right to: (i) disapprove or to require you to modify the text, graphics, photographs, and other material (collectively, the "Social Media Content") on any Social Media Site; (ii) hyperlink your Social Media Sites to any other Internet site related to the System that we designate; and (iii) modify, use, print, publish, display, store, and transmit any of the Social Media Content, and to authorize third parties to modify, use, print, publish, display, store, and transmit any of the Social Media Content, subject to the requirements of the social network service that hosts the applicable Social Media Site. You must keep us advised at all times of your Social Media Sites' addresses and domain names. (Franchise Agreement, Section 9.7.3)

We have the sole ownership, right, title, and interest in and to the Social Media Content of all Social Media Sites, subject to the requirements of the social network service that hosts the applicable Social Media Site. (Franchise Agreement, Section 9.7.3.1)

We have the sole ownership, right, title, and interest in and to all domain names related to the Social Media Sites, subject to the requirements of the social network service that hosts the applicable Social Media Site. (Franchise Agreement, Section 9.7.3.2)

The Social Media Content on each Social Media Site must meet the standards of propriety that we prescribe. Your Social Media Sites and Social Media Content must comply with our rules, guidelines, standards, specifications, plans, programs, and procedures. You must monitor the Social Media Content on each Social Media Site. You must remove any inappropriate Social Media Content so that the removal is fully completed immediately on our demand, or within 12 hours after the inappropriate Social Media Content is posted on the Social Media Site, whichever is earlier. (Franchise Agreement, Section 9.7.3.3)

Advertising Council

We do not have an advertising counsel composed of franchisees that advises us on advertising policies.

Percentage of Advertising Funds Use Principally to Solicit New Franchise Sales

We do not collect any advertising funds from our franchisees. We do not use any advertising funds principally to solicit new franchise sales.

Electronic Cash Register System; Computer System

You must buy and use the electronic cash register system and computer system that meets our requirements. (Franchise Agreement, Section 14.7).

You will use your electronic cash register system: (i) to record your sales transactions; (ii) to track product mix and sales performance; (iii) to assist in purchasing and inventory control; (iv) for accounting and bookkeeping; and (v) for other functions we may specify. (Franchise Agreement, Section 14.7).

You will use your computer system: (i) for interactive training; (ii) for purchasing and inventory control; (iii) for accounting and bookkeeping; (iv) for scheduling; (v) for Internet communication and email; and (vi) for other functions we may specify. (Franchise Agreement, Section 14.7).

Your electronic cash register system and computer system will consist of a point of sale system (a "POS") and a back office system (a "BOS"). We do not currently require you to use any specific POS or BOS. Your POS system must comply with the Payment Applications Best Practices ("PABP") standards or the successor standards to the PABP. You must connect it to the Internet using an always-on access method, like a T-1 line, cable, or DSL. Our specifications may change, and you must upgrade to equipment that meets our specifications as we direct. You should ask us for a list of our current specifications before you sign the Franchise Agreement. The current purchase price of POS and BOS systems that meet our specifications ranges from $15,000 and $40,000. (No specific reference in Franchise Agreement).

You must enter, generate, and store in your electronic cash register system and computer system the data and information we prescribe. This data and information will include: (i) sales records; (ii) product mix and sales performance data; (iii) inventory records; (iv) accounting and bookkeeping records; (v) training materials; (vi) schedules; (vii) Internet communications; and (viii) other data and information we specify. (Franchise Agreement, Section 14.7).

Neither we nor any affiliate of ours has any obligation to provide ongoing maintenance, repairs, upgrades, updates to your hardware or software. We do not currently require you to enter into agreements with third parties to provide ongoing maintenance, repairs, upgrades, or updates to your hardware or software, although we may do so in the future. (Franchise Agreement, Section 14.7).

You must keep your electronic cash register system and computer system in good maintenance and repair. You must upgrade and update your electronic cash register system and computer system on notice from us. We may require you: (i) to add additional capacity, accessories, and peripheral equipment to your systems; and (ii) to upgrade or replace your systems, at your sole cost and expense. The cost to comply with these obligations could be as low as $500, or may be as high as $25,000. We do not intend to require you to upgrade and update your systems more often than one time every five years; however, there is no contractual limitation on the frequency or cost of these obligations. (No specific reference in Franchise Agreement).

If you elect, at your option, to enter into maintenance, updating, upgrading, or support contracts, or if we require you to enter into these contracts, your costs should range from $0 to $5,000 per year. Your actual costs will vary depending on the price and quality of the components of your systems, the level of deductibles you select, and other factors.

If we substitute one or more software programs for any software we specify, you must, by the end of 30 days after we give you notice to do so, at your sole cost and expense: (i) stop all use of the software being replaced; (ii) preserve all data from the software being replaced; (iii) obtain and install the substitute software on your computer as we may direct; (iv) import, to the substitute software, relevant data from the software being replaced; and (v) begin using the substitute software. (Franchise Agreement, Section 14.7).

We have the free, independent, and unfettered right to access and retrieve all data and information that is generated by, or that is stored in, your electronic cash register system and computer system. There is no contractual limit on our right to obtain this data and information. We will have the right to retrieve this data and information remotely or in-person. You must, immediately on our request, provide us with all assistance we may request to obtain this access. The computer and electronic cash register hardware and software you obtain and install must permit us to obtain sales and other information from your computer and electronic cash register systems as we require, automatically on our request. (Franchise Agreement, Section 14.7).

Renovations

"Renovation" refers to the periodic large-scale refurbishment and remodeling of the Freestanding Restaurant. It includes the replacement of worn, obsolete, or non-functioning furniture, fixtures, equipment, décor, and signage. (Franchise Agreement, Section 1.13).

It is in your best interests, and in the best interests of our other franchisees and the System, that each BluTaco Restaurant, including the Freestanding Restaurant, be clean, up-to-date, well-maintained, and well-appointed. Therefore, you must, at our request, Renovate the Freestanding Restaurant to conform to: (i) our then-current specifications for BluTaco Restaurants; and (ii) our judgment as to the condition, state of repair, functionality, and general appearance of the Freestanding Restaurant and its furnishings, fixtures, equipment, décor, and signage compared to the condition, state of repair, functionality, and general appearance that we consider desirable. This Renovation will be at your sole cost and expense. Our right to require you to Renovate does not affect our right to require you to maintain the Freestanding Restaurant in compliance with the Franchise Agreement, our Operations Manual, and our standards and specifications, or your obligation to do so. (Franchise Agreement, Section 7.4).

We will not require you to Renovate the Freestanding Restaurant more often than one time every seven (7) years. (Franchise Agreement, Section 7.4).

You must submit to us a complete set of plans, specifications, and equipment lists that you propose to use to make the Renovations (the "Proposed Renovation Plans") before you begin any Renovation of the Freestanding Restaurant. We will review the Proposed Renovation Plans promptly and will approve them or will provide you with comments regarding them by the end of 30 days after we receive them from you. You may not begin Renovation of the Freestanding Restaurant until we have approved the Proposed Renovation Plans in writing. We refer to the

Proposed Renovation Plans, after our approval, as the "Approved Renovation Plans." (Franchise Agreement, Section 7.4).

You must finish all Renovations so that they are completed by the end of six months after we deliver notice to you that we are requiring you to make the Renovations. (Franchise Agreement, Section 7.4).

Test Marketing

We may conduct market research and testing to determine consumer trends and the marketability of new products, equipment, services, supplies, and merchandise. We refer to these items, collectively, as the "Test Products." You must assist us with this market research and testing by participating in any programs as we may require. This assistance may include: (i) test-marketing Test Products through the Freestanding Restaurant as we may direct; (ii) providing us with timely reports and other relevant information we may request regarding this test-marketing; and (iii) effectively promoting and making reasonable efforts to sell the Test Products. You are responsible for all costs and expenses related to the test marketing. (Franchise Agreement, Section 13.10).

There is no limit on the amount of test marketing in which we may require you to participate. (No specific reference in Franchise Agreement).

Opening Assistance

After at least one Principal has successfully completed Principal Training and one Manager has successfully completed Manager Training, we will furnish a representative to the Freestanding Restaurant for a period of at least two days. We refer to this person as the "Opening Coordinator." The Opening Coordinator will provide you with opening assistance. The opening assistance may include assisting you with: (i) implementing internal controls; (ii) hiring employees; (iii) training employees; (iv) purchasing products, equipment, services, supplies, and merchandise; (v) following accounting procedures; (vi) implementing the System; (vii) evaluating your initial business operations and marketing plans; and (viii) other matters. Our fee for the Opening Coordinator, including the Opening Coordinator's travel, food, lodging, and other costs and expenses, is included in the Initial Training Fee. (Franchise Agreement, Section 13.3).

If the Freestanding Restaurant is your first Restaurant under the System, we will furnish you with an opening training team. We refer to this team as the "Opening Training Team." The Opening Training Team will work at your initial Restaurant immediately before and after the opening of the Freestanding Restaurant, for a period of at least three days. If the Freestanding Restaurant is your second or subsequent Restaurant under the System, we may provide you with limited training team assistance, and your other Restaurants will supply a portion of the training assistance. We will determine the actual size of the Opening Training Team. We will base this determination on: (i) the size of the Freestanding Restaurant; (ii) the location of the Freestanding Restaurant; (iii) your experience as a restaurant operator; (iv) the number of other Restaurants you operate under the System; (v) the number of restaurants you operate under other systems we or our affiliates may develop; and (vi) other factors. We will be responsible for making all travel, food, and lodging arrangements of the Opening Training Team members. Our fee for the Opening

Training Team, including the Opening Training Team's travel, food, lodging, wage, benefit, and other costs and expenses, is included in the Initial Training Fee. (Franchise Agreement, Section 13.3).

You must staff the Freestanding Restaurant with your employees to train with, and to assist, the Opening Training Team. If you do not staff the Freestanding Restaurant with the employees we require, we may staff the Freestanding Restaurant with our employees and independent contractors. The travel, food, lodging, wage, benefit, and other costs and expenses we incur because you did not provide the employees we require are not included in the Initial Training Fee, and will be in addition to the amount of the Initial Training Fee. You must reimburse us for these costs and expenses so that we actually receive the reimbursement within 10 days of our request for payment (Franchise Agreement, Section 13.3).

Conventions

We may conduct an annual conference or convention. We refer to this conference or convention as a "Convention." We may charge a reasonable fee for staging the Convention; however, the fee will not exceed our costs of developing and conducting the Convention, including our costs related to attending the Convention. You are required to send at least one employee, preferably your Principal or Manager, from each Freestanding Restaurant. (Franchise Agreement, Section 13.5).

For planning purposes, you should assume that the fee for a Convention will range from $125 to $2,000. However, it will depend on several factors, like the place where we stage the Convention (e.g., locally or at some popular convention destination), its duration, and whether we engage lecturers to present relevant material. As a result, the fee could be higher. We have not yet staged a Convention, so we cannot predict with any degree of accuracy where we would stage it or its content. We do not expect to stage more than one Convention a year; however, if the demands of the market or other factors require us to stage more than one Convention in a year, we may do so.

We may also require you to attend an annual GRITT Summit and Franchise Advisory Meeting, provided through Pro Food Systems, and which may be held with franchisees of our affiliated companies. We or Pro Food Systems may charge a reasonable fee for registering for the GRITT Summit or Franchise Advisory Meeting. You are required to send your Principal or Manager, from each Freestanding Restaurant, to the GRITT Summit and Franchise Advisory Meeting. Currently, the GRITT Summit and Franchise Advisory Meeting are held simultaneously; however, this arrangement is subject to change, in our discretion.

ITEM 12.

TERRITORY

Under the Franchise Agreement, you have the right to establish and operate one (1) BluTaco Freestanding Restaurant within a territory (the "Territory"). You will develop and operate the

Freestanding Restaurant at the Approved Location only, the location of which will be shown on the Franchise Summary page of the Franchise Agreement or at the location we approve.

The Territory is located in all or a portion of a listed town, city, or county, and is identified using a radius surrounding the Approved Location. The Territory is determined by us on an individual basis, taking into account minimum numbers of households, average home prices and household incomes, competition and other factors that we deem pertinent and may be further defined by political boundaries, zip codes, and/or natural boundaries. Your Territory will be defined and attached to the Franchise Agreement in Schedule A. If you have not identified the Approved Location at the time you sign the Franchise Agreement, Schedule A will be updated to identify your Territory once you have identified and we have approved the Approved Location.

Scope of Territorial Rights

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.

We reserve the right to develop, open, and operate, and we may authorize others to develop, open, and operate, restaurants using the System: (i) in grocery stores, convenience stores, and other business-within-a-business and similar locations ("BWB Location"); and (ii) in airports, train stations or terminals, bus stations or terminals, shopping center food courts, colleges, universities, sports arenas, stadiums, entertainment centers, government-owned and government-leased facilities including without limitation military bases, and similar venues (each such location, including BWB Locations, being referred to in the Franchise Agreement as a "Nontraditional Location"), even if such restaurant in the Nontraditional Location is within Franchisee's Territory.

You may solicit business inside or outside your Territory and serve customers who reside outside your Territory. There are no restrictions on your right to do so. We, our Parent and our affiliates, and our and their franchisees and licensees may solicit business inside or outside your Territory and serve customers who reside inside your Territory. There is no restriction on our or their right to do so. You will not be entitled to any compensation for orders solicited or accepted within your Territory.

You may not offer for sale, sell, or deliver the Products and Services, or any products or services similar to the Products and Services, through any alternative distribution channel without written permission from us.

Continuation of Territorial Rights; Modification of Territorial Rights

The continuation of your rights to the Territory does not depend on your achievement of any certain sales volume, market penetration, or other contingency. We will not alter the size of your Territory or modify your rights to the Territory if the population of your Territory increases or decreases. We may not modify your Territorial rights except as you and we may mutually agree.

Relocation of Restaurant

You will not relocate the Restaurant without ours prior written consent. To obtain our consent, you must: (i) comply with the procedures set forth in Item 11 of this disclosure document for a Proposed Site, and with such other criteria as we may establish; (ii) close your old Restaurant and open your relocated Restaurant substantially simultaneously so that there is no break in operations; and (iii) enter into our then-current form of relocation agreement. The relocation agreement will show the terms of the relocation.

Any relocation of the Freestanding Agreement will be at your sole cost and expense. You must reimburse us for any costs or expenses we incur related to any relocation, like costs and expenses we incur in evaluating your replacement site, and costs and expenses we incur in connection with the relocation agreement.

Establishment of Additional Restaurants: Options, Rights of First Refusal, or Similar Rights

You may want to develop additional Freestanding Restaurants in additional territories. If you do, you and we may enter into our Option Addendum. Our Option Addendum is attached to the Franchise Agreement as Schedule C. Under the Option Addendum, you will have the right to develop additional Freestanding Restaurants under the Franchise Agreement, all within a specified period of time and geographic area (the "Option Territory") shown in the Option Addendum. We do not require you to enter into the Option Addendum with us, and we are not required to enter into the Option Addendum with you. Entry into the Option Addendum is purely voluntary on your part and ours.

We must agree on the size and location of the Option Territory before you sign the Option Addendum. The size and location will depend on: (i) the number of additional BluTaco Restaurants you and we agree that you may develop; (ii) your skill and experience as a business operator; (iii) your financial resources; (iv) your proximity to the Option Territory; (v) the presence of other BluTaco Restaurants in the area; (vi) the presence of other competitors in the area; (vii) the demographics of the area; and (viii) other factors.

Rights of First Refusal; Similar Rights

Except for the option to open additional Freestanding Restaurants under the Option Addendum, you do not have any options, rights of first refusal, or similar rights to acquire additional franchises or develop additional Restaurants.

ITEM 13.

TRADEMARKS

We grant you the right to operate your BluTaco Franchise under the trademark BluTaco™ and any other current trademarks, trade names, service marks and/or logos we designate for use in a BluTaco Franchise the "Marks").

The Marks are owned by our parent, Pro Food Systems. Pro Food Systems has granted us the right to use the Marks and sublicense the use of the Marks to franchisees according to a License Agreement dated January 1, 2018. See paragraph below under the heading "Trademark License

Agreement”).

The following table sets forth the status of Federal registrations with the United States Patent and Trademark Office (the "PTO") on the Principal Register of those marks licensed to you:

Mark	Register	Registration Date	Registration Number
bluTACO	Principal	01/22/2019	5,662,516
BLUTACO	Principal	01/22/2019	5,662,515
™	Principal	01/22/2019	5,662,788
STYLE IT. START IT. FILL IT. TOP IT. EAT IT.	Principal	01/22/2019	5,662,789
bluTACO™	Principal	02/11/2020	5,984,943

There are no affidavits or renewals due at this time.

Legal Proceedings

There are no currently-effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, that limit your right to use any Mark. There is no pending infringement, opposition, or cancellation proceeding involving any Mark. Neither Pro Food Systems nor we have unsuccessfully sought to prevent registration of a trademark in order to protect a trademark we license.

There is no pending material federal or state court litigation regarding Pro Food Systems’ or our use or ownership rights in any Mark.

Trademark License Agreement

We and Pro Food Systems entered into a Trademark and System License Agreement. We refer to this agreement as the “Trademark License Agreement.”

The Trademark License Agreement grants us the formal contractual right to use, and to authorize others to use, the Marks worldwide. It affects you because it grants us the right to license the Marks to you.

The Trademark License Agreement is dated January 1, 2018. It has a 20-year initial term. Unless we are in uncured material breach of the Trademark License Agreement, it will automatically renew for successive terms of 10 years each, unless the parties elect not to renew it.

Pro Food Systems may terminate the Trademark License Agreement if we are in material breach and the breach is not cured within 30 days. The Trademark License Agreement may be canceled or modified at any time on the written consent of both parties. We do not intend to cancel the Trademark License Agreement, and Pro Food Systems has not indicated any desire to do so. If Pro Food Systems terminates the Trademark License Agreement, or if Pro Food Systems and we mutually agree to cancel the Trademark License Agreement, you may continue to use the Marks during the term of your Franchise Agreement.

Except for the terms shown above, the Trademark License Agreement does not contain any material terms relevant to the franchise.

There are currently no other agreements in effect that significantly limit our rights to use or to license the use of the Marks in any manner material to the franchise.

Defense of Marks

We must defend the principal Marks and your right to use them. We will bear all costs of this defense. You must cooperate fully with us in the defense of the Marks. If you have provided this notice and cooperation, we must indemnify you against, and reimburse you for, all direct damages but not damages for loss of future revenue and consequential, special, multiplied, enhanced, exemplary, or punitive damages) and expenses you incur: i) due to any infringement or unfair competition claim any third party brings against you that arises out of your proper use of the Marks; and ii) if you are a party to an administrative or judicial proceeding involving a Mark we license you to use, whether the proceeding is resolved favorably or unfavorably to you. You must notify us promptly in writing of any use of, or any claim of rights to, any mark identical to, or confusingly similar to, any Mark. We are not required to take affirmative action when you notify us of these uses or claims, but we expect to do so if it is in the best interests of the System.

We have the right to control any administrative proceeding or litigation involving any Mark we license you to use. We have sole discretion over the protection and defense of any Mark and the settlement of any administrative proceeding or litigation related to any Mark. You may not take any action with regard to this protection or defense, and you may not initiate any suit or proceeding related to the System, without our prior express written consent.

Modifications to Marks; Discontinuance; Signage Reimbursement

We will have the right at any time, on notice to you, to make additions to, deletions from, and changes to the Marks in our absolute discretion. You must adopt and use any and all of these additions, deletions, and changes as we direct, at your sole cost and expense. However, we will not change the primary name of the System from "BluTaco" or require you to change your approved BluTaco signage to some other primary name for a period of two years after the Effective Date of the Franchise Agreement unless we reimburse you for the cost of converting your approved BluTaco signage to signage using the other primary name.

If we are required to reimburse you for a signage change, we will reimburse you for the actual cost to obtain replacement signage from signage suppliers we designate; however, this reimbursement will be limited to: i) $2,000 per Restaurant; and ii) $6,000 in the aggregate. We refer to this reimbursement as the "Signage Reimbursement."

We will not be liable to you or any other party for any loss, expense, liability, damage, or damages, however characterized, and whether actual, consequential, incidental, special, multiplied, enhanced, exemplary, or punitive, for any of these additions to, deletions from, or changes to the Marks; including loss of profits, earnings, revenue, business, or expectancies, except for the Signage Reimbursement.

Prior Rights; Infringing Uses

We do not know of any superior prior rights or infringing uses that could materially affect your use of our principal Marks in any state where the Freestanding Restaurant will be located.

ITEM 14.

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or registered copyrights that are material to the franchise. There are no pending patent applications that are material to the franchise.

We own the rights to the Products and Services. We claim common law rights and copyright protection in the Products and Services, as well as a number of other items you will use in the operation of the Freestanding Restaurant, including our Operations Manual and other materials and information related to the System. These other items include our marketing materials; our methods for offering for sale, selling, and delivering the Products and Services; our methods for operating the Freestanding Restaurant; and our specifications, marketing techniques, advertising programs, advertising strategies, supplier lists, expansion plans, and other information we create or use. We have not registered any of these copyrighted materials with the United States Registrar of Copyrights, although we may do so.

There are no current material determinations of the USPTO, the United States Copyright Office, or any court regarding any of our copyrights. There are no material proceedings pending in the USPTO or any court.

There are no agreements that limit our right to use or license you to use any of our copyrighted material in any manner material to the Freestanding Restaurant.

We do not have any obligation to protect any copyright. We may defend our copyrights when it is in the best interests of the System to do so. You are not required to notify us of any infringement claims. We are not required to defend or indemnify you against claims arising from your use of any items in which we claim copyright protection. We are not required to take any affirmative action if we are notified of any infringement. We have the exclusive right to control any copyright litigation. We are not required to participate in your defense or to indemnify you for expenses or damages in any proceeding involving a copyright we license to you.

We will have the right at any time, on notice, to make additions to, deletions from, and changes in any item in which we claim copyright protection. You must adopt and use all additions, deletions, and changes as we direct, at your expense.

We do not know of any patent or copyright infringement that could materially affect the franchise.

We claim proprietary rights in information that we designate as “Confidential Information” and “Trade Secrets.” “Confidential Information” is information that we disclose to you that we designate as confidential, or that, by its nature, would reasonably be expected to be held in confidence or kept secret. Examples of Confidential Information are the Operations Manual and the information in it, and our training programs and the material in them. “Trade Secrets” are items that derive independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who may obtain economic value from their disclosure or use. Examples of Trade Secrets include all customer lists, the contact information of customers, and our recipes.

You may use the Confidential Information and Trade Secrets during the Term of the Franchise Agreement. You must maintain the confidentiality of our Confidential Information and secrecy of our Trade Secrets, during and after the Term. You may not use this information in any other business or in any manner that we do not approve in writing, and you may not communicate, divulge, or otherwise display this information to anyone other than your personnel who have a need to know of it in order to operate the Freestanding Restaurant.

We have the right to take legal action against you if there has been an unauthorized use of our Confidential Information or Trade Secrets through you. In addition, misuse or unauthorized disclosure of our Confidential Information or Trade Secrets is a breach of the Franchise Agreement.

ITEM 15.

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Your Obligations

BluTaco does not require you to personally supervise the operation of your restaurant. However, at least one individual (usually the general manager) working full time at your BluTaco must attend and successfully complete the training programs developed and designated by BluTaco from time to time. If the trained individual ceases to work full time at your BluTaco, you will have 120 days to replace the individual with someone who has attended and successfully completed the designated training program. Until such time of replacement, you are responsible for personally supervising the operation of your restaurant.

We refer to your general managers, assistant general managers, and other individuals who manage the overall operation of the Freestanding Restaurant as your “Managers.”

If you are a business entity, through your Managers, you must participate personally in the direct operation of the Freestanding Restaurant, and you must exercise on-premises supervision of the

Freestanding Restaurant. We recommend, but do not require, that your Principals be Managers and that they exercise on-premises supervision of the Freestanding Restaurant.

If you are an individual, you may participate personally in the direct operation of the Freestanding Restaurant, and you may exercise on-premises supervision of the Freestanding Restaurant, although we do not require you to do so. If you do not do so yourself, you must appoint one or more Managers who participate personally in the direct operation of the Freestanding Restaurant and exercise on-premises supervision of the Freestanding Restaurant. You may be a Manager, although we do not require this. We recommend that you be a Manager and that you exercise on-premises supervision of the Freestanding Restaurant and Restaurant.

Your Manager

You must conduct any background investigations, aptitude screenings, and other screenings as we may prescribe, on each prospective Manager. The prospective Manager must pass these investigations and screenings.

Each Manager you employ must successfully complete our Manager Training, together with any other mandatory training we may require.

Each Manager must: (i) devote his or her full time and best efforts to the management and growth of the Freestanding Restaurant; (ii) have day-to-day management responsibility for the Freestanding Restaurant; and (iii) personally participate in the direct operation of the Freestanding Restaurant. You must have a Manager who has successfully completed our Manager Training physically present at the Freestanding Restaurant at all times the Freestanding Restaurant is open for business.

Your Managers and other Obligors must sign the Individual Confidentiality Agreement attached to the Confidentiality Agreement as Exhibit A. They must comply with the Individual Confidentiality Agreement.

Your Managers and other Covenanting Personnel must sign the Individual Covenant Not to Compete attached to the Covenant Not to Compete as Exhibit A. They must comply with the Individual Covenant Not to Compete.

We do not require your Managers to have any equity interest in you.

Except as shown above, we do not require you to place restrictions on your Manager.

Your Principals

If you are a business entity, your Principals must sign the Franchise Agreement personally as principals. If you or your Principal(s) are married individuals, your spouse(s) must sign our Spousal Guaranty attached to our Franchise Agreement as Schedule C. Your Obligors must sign the Individual Confidentiality Agreement attached to the Confidentiality Agreement as Exhibit A. Your Covenanting Personnel must sign the Individual Covenant Not to Compete attached to the Covenant Not to Compete as Exhibit A.

You Are an Independent Contractor

You are an independent contractor. Neither you nor any employee of yours will in any manner be construed to be an employee of ours for any purpose.

ITEM 16.

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The System is a comprehensive system for the establishment, operation, and promotion of BluTaco Restaurants. We and our franchisees have an interest in ensuring the proper marketing and promotion of the Products and Services, and in protecting the quality and integrity of the System. We expect to change the System, and our franchisees expect us to change it, to respond to changes in the marketplace, economic conditions, business conditions, the hospitality profession, the law, the demands of consumers, our business needs, the needs of the System, and otherwise.

You may sell only Products and Services that we have approved. You may not offer any food, beverage, merchandise, or miscellaneous items that we have not approved. You must sell all Products and Services that we designate. We may add to, delete from, and modify the list of Products and Services as we deem appropriate. There is no limitation on our right to do so.

Restrictions or Conditions that Limit Your Access to Guests

We impose three restrictions on you that limit your access to guests:

1. You must operate the Freestanding Restaurant at and from the Approved Location, unless we agree, in writing, to allow you to operate an outlet at or from another location.

2. You may not offer or sell Products or Services through Alternative Distribution Channels.

3. You may not solicit business outside your Territory, except that you may: (i) advertise jointly with other franchisees under the System in your Territory and the territories of the other franchisees; (ii) list the Freestanding Restaurant on your Internet Site and Social Media Sites; and (iii) advertise via radio, television, and similar media that broadcast into areas outside your Territory, provided the radio stations, television stations, and similar media also broadcast inside your Territory.

We do not impose any other restrictions or conditions on you that limit your access to guests.

ITEM 17.

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Franchise Summary of Franchise Agreement; Section 3.1 of Franchise Agreement	10 years.
b. Renewal or extension of the term	Section 3.2 of Franchise Agreement	If you are in good standing, and subject to contractual requirements, you may sign a successor agreement for 2 additional terms of ten years each, unless we have determined, in our sole discretion, to withdraw from the geographical area where your Restaurant is located.

Provision	Section in Franchise or Other Agreement	Summary
c. Requirements for franchisee to renew or extend	Section 3.2 of Franchise Agreement	"Successor Term" means that you may continue to be a BluTaco franchisee under our then-current form of franchise agreement. Our then-current form of franchise agreement may contain provisions that differ materially from your original Franchise Agreement. To enter into a Successor Term, you must: (i) notify us of your intent to enter into a Successor Term; (ii) be in compliance with the Operations Manual and all agreements; (iii) have been in substantial compliance with the Operations Manual and all agreements during the Term; (iv) Renovate the Freestanding Restaurant; (v) enter into our then-current form of franchise agreement; (vi) execute a Release, Estoppel Covenant Not to Sue, and Indemnification in substantially the form attached to the Franchise Agreement as Schedule I; and (vii) pay a Successor Agreement Fee equal to Seven Thousand Five Hundred Dollars ($7,500).
d. Termination by franchisee	Section 20.1 of Franchise Agreement	You may terminate for cause, if we commit a material breach of any material provision of the Franchise Agreement and do not cure after notice and opportunity to cure.
e. Termination by franchisor without cause	None	Not applicable. We cannot terminate the Franchise Agreement without cause.
f. Termination by franchisor with cause	Sections 20.3 and 20.4 of Franchise Agreement	We may terminate if you commit any one of several listed breaches.

Provision	Section in Franchise or Other Agreement	Summary
g. "Cause" defined – curable defaults	Section 20.4 of Franchise Agreement	10 days to cure if: (i) you have not opened the Freestanding Restaurant by the end of the Opening Date, after any extensions of the Opening Date; (ii) if you fail to execute, or if you fail to cause all persons required to sign them to execute, the Spousal Guaranty, Confidentiality Agreement, Individual Confidentiality Agreement, Covenant Not to Compete, or Individual Covenant Not to Compete; (iii) if you fail to submit any report, document, or data we require; (iv) if you fail to pay us or our affiliates any amounts you owe; (v) if you or any of your Principals fail to complete the training we prescribe, after we have afforded you re-training opportunities; (v) if your alcoholic beverage license is suspended or revoked; or (vii) if you commit any breach of the Franchise Agreement not specifically enumerated in Sections 20.3 or 20.4 of the Franchise Agreement.

Provision	Section in Franchise or Other Agreement	Summary
h. "Cause" defined –non-curable defaults	Section 20.3 of Franchise Agreement	No opportunity to cure if you: (i) become insolvent; (ii) disclose our Confidential Information or Trade Secrets, or engage in a Competing Activity; (iii) misrepresented any material fact related to our decision to enter into the Franchise Agreement; (iv) knowingly maintain false books or records, conceal revenues, or submit any false reports; (v) understate your Gross Sales by 4% or more; (vi) deny us immediate access, on our demand, to your financial or accounting records, or if you fail to provide us with immediate and full assistance in the course of any inspection or audit; (vii) deny us immediate access to all premises of the Freestanding Restaurant, to evaluate your performance; (viii) receive 3 or more failing scores on any health or safety inspection we or any governmental authority conduct within any 12-month period; (ix) misuse or misappropriate any Mark; (x) fail to comply with all applicable laws related to the Freestanding Restaurant; (xi) abandon the Franchise or Restaurant; (xii) commit fraud related to the Freestanding Restaurant; (xiii) are convicted of or plead no contest to a felony, fraud, or other serious crime; (xiv) have your existence as a business entity revoked; (xv) intentionally, willfully, or through gross negligence, breach any covenant, warranty, representation, agreement, or obligation in the Franchise Agreement or Operations Manual; or (xvi) commit 3 or more breaches within any 12 consecutive month period.

Provision	Section in Franchise or Other Agreement	Summary
i. Franchisee's obligations on termination/ nonrenewal	Section 21 of Franchise Agreement	You must: (i) pay us all money you owe; (ii) cease all use of the System; (iii) cease to use any advertising materials; (iv) cease to hold yourself out as our franchisee; (v) return the Operations Manual; (vi) cancel all assumed name registrations; (vii) fulfill your obligations under the Telephone Listing Agreement and Internet Websites and Listings Agreement; (viii) comply fully with, and cause your personnel to comply with, the Spousal Guaranty, Confidentiality Agreement, Individual Confidentiality Agreement, Covenant Not to Compete, and Individual Covenant Not to Compete; (ix) on our request, assign your lease to us (if you lease the Approved Location), or enter into a lease with us (if you own the Approved Location); (x) if we do not elect to take possession of the Approved Location, de-identify the Approved Location; (xi) allow us to purchase the assets of the Freestanding Restaurant; (xii) on our request, transfer your liquor licenses to us; and (xiii) pay us damages.
j. Assignment of contract by franchisor	Section 18.1 of Franchise Agreement	We may assign any or all of our rights and may delegate any or all of our obligations. We are not required to obtain your consent to any assignment or delegation. After any assignment, you must deliver to the assignee performance of all rights that we assigned. After any delegation, you must look solely to the delegatee, and not to us, for the performance of all obligations that we delegated. We may also, without your consent, transfer the ownership in us, and may engage in a public offering of debt or equity.

Provision	Section in Franchise or Other Agreement	Summary
k. "Transfer" by franchisee – defined	Section 18.3 of Franchise Agreement	"Transfer" means the sale, assignment, delegation, transfer, conveyance, gift, pledge, mortgage, encumbrance, or hypothecation of any "Interest." An "Interest" is: (i) any direct, indirect, or beneficial you or any Principal has in you, the Freestanding Restaurant, any Operating Company, the Franchise Agreement, the Franchise, any Approved Location, any Restaurant, or substantially all of the assets of the Freestanding Restaurant; and (ii) you, the Freestanding Restaurant, any Operating Company, the Franchise Agreement, the Franchise, any Approved Location, or any Restaurant.
l. Franchisor approval of transfer by franchisee	Section 18.4 of Franchise Agreement	You may not Transfer any Interest without our prior written consent. We will not unreasonably withhold our consent.

Provision	Section in Franchise or Other Agreement	Summary
m. Conditions for franchisor approval of transfer	Section 18.4 of Franchise Agreement	The conditions for Transfer are: (i) the transferee and its equityholders must meet our Principal Qualifications; (ii) you must satisfy all monetary and other obligations; (iii) at all times during the Term, you must have been in substantial compliance with all agreements and the Operations Manual; (iv) at the time of Transfer, you must be in compliance with all agreements; (v) you, Principals, transferor, and transferee must sign our then-current form of transfer agreement; (vi) if the Transfer is a Transfer of you, all or substantially all of your assets, any Restaurant, all or substantially all of the assets of any Restaurant, the Freestanding Restaurant, all or substantially all of the assets of the Freestanding Restaurant, or the Franchise, the transferee must enter into our then-current form of franchise agreement, which may contain provisions that differ materially from the provisions of your Franchise Agreement; (vii) the transferee must agree to Renovate the Freestanding Restaurant; (viii) the transferee and, if applicable, the transferee's Managers, must complete any training programs then in effect for new franchisees; (ix) the transferor or transferee must pay us a Transfer Fee of 50% of our then-current initial franchise fee; and (x) the transferee must, if the Approved Location is subject to a lease, agree to a sublease or a transfer of the lease, and must obtain the landlord's approval.

Provision	Section in Franchise or Other Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	Section 18.7 of Franchise Agreement	If you determine at any time to Transfer any Interest, you must obtain a bona fide executed written offer and submit an exact copy of this offer to us. We will have 30 days to give written notice to you that we will purchase all the Interest for the price, minus any sales commission that would have been payable as a result of the proposed sale, and on substantially the terms and conditions, contained in the offer. If we do not exercise this right of first refusal, you may complete the Transfer of the Interest to the purchaser on the same terms as offered to us, subject to the provisions of the Franchise Agreement governing Transfers.
o. Franchisor's option to purchase franchisee's business	None	Not applicable. We do not have an option to purchase the Freestanding Restaurant.
p. Death or disability of franchisee	Section 18.6 of Franchise Agreement	The person acquiring your interest must: (i) be capable of conducting the Freestanding Restaurant; (ii) cause their spouse(s) to sign the Spousal Guaranty; (iii) sign the Individual Confidentiality Agreement; and (iv) sign the Individual Covenant Not to Compete.
q. Non-competition covenants during the term of the franchise	Section 15.2 of Franchise Agreement Covenant Not to Compete (Schedule F to Franchise Agreement) Individual Covenant Not to Compete (Exhibit A to Covenant Not to Compete)	You and your Covenanting Personnel may not, directly or indirectly: (i) own or operate any business that sells products or services that are similar to the Products and Services, except for 5% or less of the shares of any publicly-traded business engaged in the sale of products or services that are similar to the Products and Services; (ii) act as a principal in any of these businesses; or (iii) divert any business from the Freestanding Restaurant, the Freestanding Restaurant, the System, or other systems we or our affiliates may operate; and (iv) engage in any activity similar to any of the activities described above.

Provision	Section in Franchise or Other Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 15.2 of Franchise Agreement Covenant Not to Compete (Schedule F to Franchise Agreement) Individual Covenant Not to Compete (Exhibit A to Covenant Not to Compete)	For 2 years after the termination or expiration of the Franchise Agreement, you and your Covenanting Personnel may not, within any of your Territories or former Territories: (i) own or operate any business that sells products or services that are similar to the Products and Services, except for 5% or less of the shares of any publicly-traded business engaged in the sale of products or services that are similar to the Products and Services; (ii) act as a principal in any of these businesses; or (iii) divert any business from the successor to your former Restaurant, any successor to your former Franchised Business, the System, or other systems we or our affiliates may operate; and (iv) engage in any activity similar to any of the activities described above.
s. Modification of the agreement	Sections 2.3, 12.3, and 24.5 of Franchise Agreement	No modification without your and our written agreement, but we may change the Operations Manual and modify the System without your consent.
t. Integration/ merger clause	Section 24.4 of Franchise Agreement	Only the terms of the Franchise Agreement, schedules, exhibits, and Franchise Disclosure Document are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement are not enforceable.
u. Dispute resolution by arbitration or mediation	Section 22.6 of Franchise Agreement	All disputes must be resolved exclusively by litigation.
v. Choice of forum	Section 22.6 of Franchise Agreement	All litigation must take place in a federal or state court having jurisdiction over the subject matter in the place where our principal business office is located, subject to state law.
w. Choice of law	Section 22.6 of Franchise Agreement	Delaware law applies, subject to state law.

Applicable state law may require additional disclosures related to the information in this disclosure document. These additional disclosures appear in Exhibit C to this disclosure document.

ITEM 18.

PUBLIC FIGURES

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

ITEM 19.

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Shawn Burcham at BluTaco Franchising, LLC, 120 Commerce Drive, Holts Summit, Missouri 65043, (573) 896-2500, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20.

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For years 2021 to 2023

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Total Outlets	2021	1	1	0
	2022	1	1	0
	2023	1	1	0

[1] We offer franchises for BluTaco Business-within-a-Business Models under a separate disclosure document. As such, the tables in this Item 20 represent only BluTaco Freestanding Restaurants which are similar to the business you will be operating. As of our most recently concluded fiscal year, there were 30 franchised BluTaco Business-within-a-Business locations, and 0 corporate or affiliate-owned BluTaco Business-within-a-Business Models

Table No. 2

Transfers of Outlets from Franchisees to New Owners Other than the Franchisor) For years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
None	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Table No. 3

Status of Franchised Outlets For years 2021 to 2023

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina-tions	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations-Other Reasons	Col. 9 Outlets at End of the Year
None	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

Table No. 4

Status of Company-Owned Outlets
For years 2021 to 2023

Col. 1 **State**	**Col. 2** **Year**	**Col. 3** **Outlets at Start of the Year**	**Col. 4** **Outlets Opened**	**Col. 5** **Outlets Reacquired from Franchisee**	**Col. 6** **Outlets Closed**	**Col. 7** **Outlets Sold to Franchisee**	**Col. 8** **Outlets at End of the Year**
Missouri	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Totals	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

Table No. 5

Projected Openings
As of December 31, 2023
(for next fiscal year)

Column 1 **State**	**Column 2** **Franchise Agreements Signed But Outlet Not Open**	**Column 3** **Projected New Franchised Outlets in the Next Fiscal Year**	**Column 4** **Projected New Company-Owned Outlets Next Fiscal Year**
Kansas	0	0	0
Louisiana	0	0	0
Missouri	0	0	0
Nevada	1	0	0
South Dakota	0	0	0
Utah	0	0	0
Washington	0	0	0
Wisconsin	0	0	0
Total	0	0	0

Notes:

No franchisees have had an outlet terminated, canceled, not enter into a successor agreement or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recent completed fiscal year or who have not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

Attached to this Disclosure Document as Exhibit E is a listing of the names of all current franchisees and the address and telephone number of each of their Restaurants, although there are none as of the issuance date of this Disclosure Document.

No franchisees have signed confidentiality clauses during our last three fiscal years.

We do not know of any trademark-specific franchisee organization associated with the System.

Currently, there are no franchisee associations.

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

ITEM 21.

FINANCIAL STATEMENTS

Exhibit D is our audited financial statements dated as of December 31, 2023, 2022 and 2021. Our fiscal year end is December 31. Also included in Exhibit D are our unaudited financial statements as of March 31, 2024.

ITEM 22.

CONTRACTS

The following agreements are attached to this Disclosure Document.

BluTaco Franchise Agreement	Exhibit A
Form of Release, Estoppel, Covenant Not to Sue, Indemnification	Exhibit G to Disclosure Document
Disclosure Document Receipts	Exhibit J to Disclosure Document

ITEM 23.
RECEIPTS

Exhibit I contains detachable documents acknowledging your receipt of this Disclosure Document with all exhibits attached.

EXHIBIT A

BLUTACO FRANCHISING, LLC

BLUTACO FRANCHISE AGREEMENT

BLUTACO® FRANCHISE AGREEMENT

BY AND BETWEEN

BLUTACO FRANCHISING, LLC

AND

____

LOCATION

FRANCHISE SUMMARY

DATES			
Date of Franchise Agreement	**Initial Term**	**Scheduled Restaurant Opening Date**	**Actual Restaurant Opening Date**
_________________, 20____	10 Years from Date of Franchise Agreement	One Year from Date of Franchise Agreement	_________________, 20____

FEES		
Initial Franchise Fee	$25,000 as set forth in Section 4.1 of Franchise Agreement.	
Royalty	3% of Franchisee's Gross Sales as set forth in Section 4.3 of Franchise Agreement.	
Grand Opening Advertising Requirement	$7,500 as set forth in Section 9.1 of Franchise Agreement.	
National Advertising Fee	None.	
Local Advertising Requirement	3% of Franchisee's Gross Sales as set forth in Section 9.2 of Franchise Agreement.	
Initial Training Fee	$12,500 to $25,000 as set forth in Section 13.1 of Franchise Agreement.	
If Franchisee Enters into Option Addendum	Option Deposit	$5,000 per Option as set forth in Option Addendum.
	Option Fee	$12,500 per Option as set forth in Option Addendum.

FRANCHISEE: ____

BUSINESS ENTITY: ☐ Limited Liability Company ☐ Limited Partnership ☐ Individual
☐ Corporation ☐ General Partnership ☐ Other

Formed under the laws of: ______________________________

FRANCHISEE'S PRINCIPAL BUSINESS ADDRESS AND CONTACT INFORMATION:

______________________________ ______________________________

PRINCIPAL BUSINESS ADDRESS: STREET ADDRESS | TELEPHONE NUMBER FACSIMILE NUMBER

______________________________ ______________________________

PRINCIPAL BUSINESS ADDRESS: STREET ADDRESS | CONTACT PERSON

______________________________ ______________________________

PRINCIPAL BUSINESS ADDRESS: CITY, STATE, ZIP CODE | EMAIL

APPROVED LOCATION OF RESTAURANT:

STREET ADDRESS	TELEPHONE NUMBER FACSIMILE NUMBER
STREET ADDRESS	
CITY, STATE, ZIP CODE	

FRANCHISEE'S ATTORNEY OR ADVISOR INFORMATION:

NAME	FIRM OR COMPANY
STREET ADDRESS	TELEPHONE NUMBER FACSIMILE NUMBER
CITY, STATE, ZIP CODE	EMAIL

FRANCHISOR'S PRINCIPAL BUSINESS ADDRESS AND CONTACT INFORMATION:

P.O. Box 170	(573) 896-2500	(573) 581-9188
PRINCIPAL BUSINESS ADDRESS: STREET ADDRESS	TELEPHONE NUMBER	FACSIMILE NUMBER
Holts Summit, Missouri 65043	Shawn Burcham	
PRINCIPAL BUSINESS ADDRESS: CITY, STATE, ZIP CODE	CONTACT PERSON	
	sjb@pfsbrands.com	
	EMAIL	

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SCHEDULES

BLUTACO® FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into on the date set forth in the Franchise Summary of this Agreement (the "Effective Date"), by and between BluTaco Franchising, LLC, a Delaware limited liability company ("BluTaco"), and ________________________________, a _____________ ______________________, and __________ _____________'s principal(s) _______________, a ___________ resident and ________________, a _____ _______ resident ("Principal(s)") (collectively, _______________ and Principal(s) are referred to herein as the "Franchisee").

RECITALS

A. BluTaco owns the right to use, and to franchise others to use, the trademark "BluTaco®" and trademarks, trade names, service marks, logotypes, trade dress, and other commercial symbols related to the trademark "BluTaco" (collectively, the "Marks").

B. BluTaco has acquired and has further developed, through the exercise and expenditure of substantial effort, expertise, knowledge, money, time, and other valuable resources, a unique concept and system for the development, opening, and operation of restaurants that offer for sale and sell a line of food, beverages, merchandise, and miscellaneous items BluTaco designates (collectively, the "Products and Services"), using BluTaco's designs, business formats, training, expertise, know-how, confidential information, and trade secrets; BluTaco's recipes; BluTaco's rules, guidelines, standards, specifications, plans, programs, and procedures; and BluTaco's advertising and promotional materials (all of which, together with the Marks, are referred to collectively in this Agreement as the "System"), which System is designed to appeal to members of the consuming public and to cause them to associate the System with the highest standards in the restaurant industry, and all of which System is subject to change, improvement, and further development from time to time.

C. Franchisee is a skilled and experienced business professional. Franchisee has applied to BluTaco for a franchise to use the System, and BluTaco desires to grant Franchisee a franchise to use the System, all as set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties hereby agree as follows:

1. **DEFINITIONS**

1.1 Accounting Period. "Accounting Period" shall mean a four (4) week, monthly, or other accounting period that BluTaco may specify.

1.2 Approved Location. "Approved Location" shall mean the location BluTaco approves for the development, opening, and operation of Franchisee's Restaurant (as defined in Section 2.1 of this Agreement).

1.3 Branded Products. "Branded Products" shall mean the BluTaco branded products that (i) BluTaco specifies and (ii) Franchisee purchases from BluTaco or its affiliates. BluTaco will list the Branded Products in the Operations Manual or otherwise in writing. BluTaco will have the right to add to, delete from and modify the items that are included within the scope of "Branded Products" from time to time.

1.4 Company-Owned. "Company-Owned" shall mean, in the context of a BluTaco restaurant, a BluTaco restaurant owned and operated by BluTaco or an affiliate of BluTaco.

1.5 Confidential Information. "Confidential Information" shall have the meaning ascribed to it in Section 1 of the Confidentiality Agreement attached to this Agreement as Schedule E.

1.6 Covenanting Personnel. "Covenanting Personnel" shall mean, collectively: (i) Principal(s); (ii) Franchisee's Managers; (iii) Franchisee's other management personnel; (iv) all personnel Franchisee employs or otherwise engages who have received or will receive Principal Training, Manager Training, or similar training in the System; (v) Franchisee's directors and officers; and (vi) other personnel BluTaco specifies.

1.7 Gross Sales. "Gross Sales" shall have the meaning ascribed to it in Section 4.2 of this Agreement.

1.8 Laws. "Laws" shall mean, collectively, all applicable federal, state, and local constitutions, statutes, regulations, rules, ordinances, case law, and similar enactments, promulgations, or rulings of a governmental authority with competent jurisdiction over the Restaurant, the Franchised Business (as defined in Section 2.1 of this Agreement), or the party against which enforcement is sought.

1.9 Managers. "Managers" shall mean, collectively, the Restaurant's general manager, assistant general managers, and other individuals who manage the overall operation of the Restaurant or aspects of such operation.

1.10 MDF. "MDF" shall mean "marketing development fund" as set forth in Section 9.8 of this Agreement.

1.11 Obligors. "Obligors" shall mean, collectively: (i) Principal(s); (ii) Franchisee's Managers; (iii) Franchisee's other management personnel; (iv) all personnel Franchisee employs or otherwise engages who have received or will receive Principal Training, Manager Training, or similar training in the System; (v) Franchisee's directors and officers; (vi) any other personnel, agents, or representatives having access to any of BluTaco's Confidential Information or Trade Secrets; and (vii) other personnel BluTaco specifies.

1.12 Operating Company. "Operating Company" shall mean an affiliate of Franchisee that Franchisee forms to operate a specific restaurant, to assist Franchisee to: (i) obtain additional investors; (ii) more effectively structure and manage its business operations; and (iii) more effectively manage risk.

1.13 Operating Rights. "Operating Rights" shall mean the right and obligation to operate a specific restaurant under, and in compliance with, this Agreement and BluTaco's then-current form of Consent to Transfer of Operating Rights, which right and obligation Franchisee assigns to an Operating Company in compliance with Section 18.5 of this Agreement.

1.14 Program Quarter. "Program Quarter" shall mean three (3) or four (4) consecutive Accounting Periods as BluTaco may prescribe.

1.15 Program Year. "Program Year" shall mean: (i) thirteen (13) consecutive Accounting Periods; and (ii) four (4) consecutive Program Quarters.

1.16 Renovation. "Renovation" shall mean the periodic large-scale refurbishment and remodeling of Franchisee's Restaurant, and replacement of worn, obsolete, or non-functioning furniture, fixtures, equipment, décor, and signage.

1.17 Trade Secret. "Trade Secret" shall have the meaning ascribed to it in Section 1 of the Confidentiality Agreement attached to this Agreement as Schedule E.

1.18 VIR. "VIR" Shall mean "volume incentive rebate" as set forth in Section 10.7 of this Agreement.

2. GRANT OF FRANCHISE

2.1 Grant of Franchise. BluTaco hereby grants to Franchisee, and Franchisee hereby accepts from BluTaco, a franchise (the "Franchise") to develop, open, and operate one BluTaco restaurant (the "Restaurant"), at and from the Approved Location (as defined in Section 1.2 of this Agreement), using the System, in compliance with this Agreement (all of which, together with Franchisee's BluTaco restaurant business and the Restaurant, being referred to collectively in this Agreement as the "Franchised Business").

2.2 Franchisee's Right to Develop Additional Restaurants. BluTaco may offer Franchisee the opportunity to enter into an addendum to this Agreement (the "Option Addendum"). Under such Option Addendum, Franchisee would have the right to develop, open, and operate additional BluTaco restaurants under this Agreement. If Franchisee and BluTaco agree to enter into the Option Addendum, Franchisee will execute and deliver to BluTaco the Option Addendum in substantially the form attached to this Agreement as Schedule C, together with the Option Deposit specified in such Option Addendum, together with this Agreement.

2.3 Uniform Standards. Franchisee acknowledges and agrees that the central feature of a franchise system is a consistent method of operation at all franchised businesses in the system; and that, as a result, it is essential to the high standards and goodwill of the System that each franchisee, including Franchisee, complies with all of BluTaco's rules, guidelines, standards, specifications, plans, programs, and procedures, all of which BluTaco may set forth in BluTaco's confidential operations manual and directives BluTaco may issue from time to time (such confidential operations manual and directives being referred to collectively in this Agreement as the "Operations Manual"), and with this Agreement. In acknowledgment of the foregoing: (i) Franchisee acknowledges and agrees that BluTaco may modify all or any part of the System to adapt to changes in the marketplace, economic conditions, business conditions, the hospitality profession, the Law, the demands of consumers, BluTaco's business needs, the needs of the System, and otherwise; (ii) Franchisee acknowledges and agrees that such modifications may include additions to, deletions from, and modifications to the Products and Services; modifications to any or all of the rules, guidelines, standards, specifications, plans, programs, and procedures related to the Franchised Business; and additions to, deletions from, and modifications of, the System, including without limitation the Marks; (iii) Franchisee acknowledges and agrees that Franchisee expects BluTaco to change the System; (iv) Franchisee covenants, warrants, represents, and agrees that Franchisee will comply with this Agreement; (v) Franchisee covenants, warrants, represents, and agrees that Franchisee will comply with all rules, guidelines, standards, specifications, plans, programs, and procedures, related to the System, and the Operations Manual, as BluTaco may add to, delete from, and modify any or all of them from time to time; and (vi) BluTaco acknowledges and agrees that such additions, deletions, and modifications will not materially and unreasonably increase Franchisee's obligations or decrease Franchisee's rights set forth in this Agreement.

2.4 Reasonable Business Judgment. BluTaco acknowledges and agrees that it will, and Franchisee acknowledges and agrees that BluTaco may, use Reasonable Business Judgment, as defined in Section 24.1 of this Agreement, in the exercise of BluTaco's rights, discharge of BluTaco's obligations, and exercise of BluTaco's discretion under this Agreement, and in all circumstances where BluTaco is required to give its consent, unless this Agreement expressly provides some other standard.

3. INITIAL TERM OF FRANCHISE; RENEWAL

3.1 Initial Term of Franchise. This Agreement will commence on the Effective Date and will continue in effect for the initial term set forth in the Franchise Summary of this Agreement (the "Initial Term"), subject to earlier termination as set forth in this Agreement.

3.2 Renewal of Franchise. Franchisee may renew the Franchise granted under this Agreement for two (2) additional ten (10) year terms (each such additional term being referred to in this Agreement as a "Renewal Term," and the Initial Term, together with the Renewal Terms, being referred to collectively in this Agreement as the "Term"), provided that:

3.2.1 Franchisee delivers written notice (the "Renewal Notice") fewer than twelve (12) months, but more than six (6) months before the end of the Initial Term or the then-current Renewal Term, notifying BluTaco of Franchisee's intent to renew the Franchise for the next Renewal Term.

3.2.2 At the time Franchisee delivers the Renewal Notice: (i) Franchisee is in compliance with this Agreement; (ii) Franchisee is in compliance with the Operations Manual; and (iii) Franchisee and its affiliates are in compliance with all other agreements to which Franchisee or such affiliates on the one hand, and BluTaco or BluTaco's affiliates on the other hand, are parties.

3.2.3 At all times during the Term: (i) Franchisee has been in substantial compliance with this Agreement; (ii) Franchisee has been in substantial compliance with the Operations Manual; and (iii) Franchisee and its affiliates have been in substantial compliance with all other agreements to which Franchisee or such affiliates on the one hand, and BluTaco or BluTaco's affiliates on the other hand, are parties.

3.2.4 Franchisee Renovates (as defined in Section 1.16 of this Agreement) the Restaurant during the period beginning with the date Franchisee delivers the Renewal Notice and ending three (3) months before the expiration date of the Initial Term.

3.2.5 Franchisee enters into BluTaco's then-current form of franchise agreement, including all schedules, exhibits, addenda, attachments, and amendments to it (collectively, the "Replacement Franchise Agreement"), all of which may contain terms that vary materially from the terms of this Agreement.

3.2.6 Franchisee and Principal(s) execute and deliver to BluTaco a Release, Estoppel, Covenant Not to Sue, and Indemnification, in substantially the form set forth in Schedule I to this Agreement (the "Release").

3.2.7 Franchisee pays BluTaco a renewal fee equal to Seven Thousand Five Hundred Dollars ($7,500.00)(the "Renewal Fee").

3.3 Non-Renewal by Franchisee. Franchisee will be deemed to have declined to renew the Franchise, and the option to renew the Franchise set forth in Section 3.2 of this Agreement will expire on notice to Franchisee, if Franchisee does not: (i) deliver to BluTaco the Renewal Notice as set forth in Section 3.2.1 of this Agreement; (ii) execute and deliver to BluTaco the Replacement Franchise Agreement and the Release by the end of thirty (30) days after BluTaco delivers them to Franchisee for execution; and (iii) deliver to BluTaco the Renewal Fee prior to or contemporaneously with Franchisee's delivery of the Replacement Franchise Agreement and the Release.

3.4 Notice of Expiration. If applicable Law requires BluTaco to give notice of expiration to Franchisee at a specific time before the expiration of the Initial Term of the Franchise, and BluTaco has not given Franchisee such notice, then BluTaco will extend the term of the Franchise on a month-to-month basis until: (i) BluTaco has given Franchisee the notice of expiration applicable Law requires; and (ii) the period that is required to pass before such expiration of the Franchise becomes effective has passed.

3.5 Operation After Termination or Expiration. If BluTaco allows Franchisee to continue to operate the Restaurant after the termination of the Franchise, or after the expiration of the Franchise without entry into the Replacement Franchise Agreement: (i) such operation shall be on a month-to-month basis; and (ii) Franchisee will cease such operation at the end of the then-current calendar month on notice from BluTaco to cease such operation.

3.6 Effect of Non-Renewal, Termination, or Expiration. Non-renewal, termination, or expiration of this Agreement will constitute termination of this Agreement and the Franchise.

4. **FEES**

4.1 Initial Franchise Fee. Franchisee will pay BluTaco an initial franchise fee in the amount set forth in the Franchise Summary of this Agreement (the "Initial Franchise Fee") when Franchisee executes and delivers this Agreement to BluTaco. On Franchisee's execution and delivery of this Agreement to BluTaco, the Initial Franchise Fee will be deemed fully earned and nonrefundable, in consideration of the administrative and other expenses BluTaco incurs in connection with this transaction and BluTaco's lost or deferred opportunity to grant franchises to others. Notwithstanding the foregoing, BluTaco will refund the entire amount of the Initial Franchise Fee that BluTaco actually received if BluTaco does not enter into this Agreement by the end of thirty (30) days after Franchisee delivers a duly-executed original of this Agreement, and all related Schedules, Exhibits, and agreements, to BluTaco for BluTaco's execution.

4.2 Gross Sales.

4.2.1 As used in this Agreement, "Gross Sales" shall include all revenue related to the sale of products and performance of services in, at, about, from, or through the Restaurant, whether for cash or credit, and regardless of collection in the case of credit, and income of every kind and nature related to the Restaurant, including without limitation insurance proceeds and condemnation awards for loss of sales, profits, business, or otherwise; and further including without limitation amounts from games, ATM fees, gift cards, catering, catering vehicles, and otherwise; provided, however, that "Gross Sales" shall not include:

4.2.1.1 Revenues from sales taxes or other add-on taxes that Franchisee collects from guests and duly transmits to the appropriate taxing authority;

4.2.1.2 Tips guests give that are charged to the guests' credit or debit cards; and

4.2.1.3 The retail value of complimentary services, discounts, trade-outs, cash refunds to guests, coupons used by guests, and credit card fees (collectively, the "Comps"), up to a maximum of three percent (3%) of Gross Sales in the aggregate. In no event may Franchisee exclude more than three percent (3%) of the Restaurant's Gross Sales for Comps.

4.2.2 Franchisee will offer for sale and sell the Products and Services at and from Franchisee's Restaurant only, except as BluTaco may expressly authorize in writing. In the event that

Franchisee sells or delivers products and services away from the Restaurant, whether such sales and deliveries are with or without BluTaco's consent, Franchisee shall include the revenues from such sales and deliveries in the Restaurant's Gross Sales.

4.2.3 In order for Comps based on complimentary services, discounts, trade-outs, and cash refunds to guests to be excluded from Gross Sales, Franchisee must provide BluTaco with the name of the guest receiving each such Comp and the reason for such Comp. BluTaco reserves the right to disapprove any Comp that BluTaco deems to be unreasonable; as, for example, when one guest receives a disproportionately large number of Comps.

4.2.4 All exchanges in kind or barter transactions pursuant to which Franchisee furnishes goods, services, or intangible benefits in exchange for or in anticipation of goods, services, or intangible benefits to be provided, whether by a vendor, supplier, guest, or otherwise, will, for the purpose of determining Gross Sales, be valued at the greater of the full retail value of the goods, services, and intangible benefits provided by Franchisee or to Franchisee.

4.3 Royalty Fee. Franchisee agrees to pay BluTaco, monthly throughout the Term of this Agreement, a royalty fee equal to three percent (3.0%) of the Gross Sales realized from the Restaurant and from any other revenues received using BluTaco's methods, operations and/or trade secrets (the "Royalty Fee"). The Royalty Fee shall be due and payable by Franchisee to BluTaco on the tenth (10^{th}) day of each calendar month for Gross Sales of the immediately preceding month.

4.4 Payment of Amounts Owed.

4.4.1 Method of Payment; Timing. Franchisee will pay all amounts Franchisee is obligated to pay BluTaco: (i) in one lump sum; (ii) by automatic ("ACH") debit, in certified funds, or in such other manner as BluTaco may direct; (iii) in United States dollars; and (iv) so that BluTaco actually receives such payment by the end of the date such payment is due.

4.4.2 Deduction or Setoff. Franchisee will pay all amounts Franchisee is obligated to pay BluTaco without deduction, setoff, or abatement. Franchisee will not, on the grounds of any alleged breach by BluTaco of this Agreement or for any other reason, withhold payment of any such amount.

4.4.3 Collection Charge; Interest. If Franchisee fails to pay any amount Franchisee is obligated to pay BluTaco so that BluTaco actually receives the payment by the end of the date such payment is due, Franchisee will pay BluTaco, so that BluTaco actually receives such payment by the end of five (5) days after BluTaco's request for payment:

4.4.3.1 The amount of the payment; plus

4.4.3.2 A collection charge (the "Collection Charge") equal to the greater of: (i) One Hundred and No/100 Dollars ($100) per delinquent payment; or (ii) BluTaco's actual costs of collection, which costs may include, without limitation, BluTaco's employee costs, overhead, and attorneys' fees and costs; plus

4.4.3.3 Interest on the overdue amount equal to the lesser of: (i) the daily equivalent of eighteen percent (18%) per annum (the "Contract Rate"); or (ii) the highest rate then permitted by Law (the "Default Rate").

4.4.4 Payment by Others. If any other person or entity, including without limitation any Principal, any affiliate, or any other person or entity, pays any amount Franchisee owes BluTaco, such payment shall be deemed to have been made by Franchisee through such payor as Franchisee's authorized agent, as if Franchisee had made the payment itself. In no event shall BluTaco's acceptance of such payment confer any rights on such payor.

4.4.5 Deficient Payment. BluTaco's acceptance, deposit, or other manifestation of satisfaction with a payment that is less than the full amount Franchisee owes BluTaco: (i) shall not be construed as a satisfaction of the amount Franchisee owes BluTaco; and (ii) shall not affect BluTaco's right to collect the full amount Franchisee owes BluTaco.

4.4.6 Taxes. Franchisee will reimburse BluTaco, so that BluTaco actually receives such reimbursement by the end of ten (10) days after BluTaco's request for such reimbursement, the amount of all sales taxes, franchise taxes, trademark license taxes, and any other taxes or levies whatsoever, however denominated, imposed on BluTaco or BluTaco's affiliates, or required to be paid by BluTaco or BluTaco's affiliates, related to any transactions between BluTaco and Franchisee; provided, however nothing set forth in this Section 4.4.6 will require Franchisee to reimburse BluTaco for federal, state, or local income taxes on income BluTaco derives from this Agreement.

4.4.7 Settlement. If BluTaco collects payments on Franchisee's behalf, BluTaco may set off any amounts Franchisee owes BluTaco or BluTaco's affiliates against the amounts BluTaco collects (the "Settlement"), in which event BluTaco will remit to Franchisee the balance that Franchisee is entitled to receive by the end of fifteen (15) days after the end of the month in which BluTaco received the payment.

5. TERRITORY

5.1 Scope of Rights; BluTaco's Reserved Rights. This Agreement grants Franchisee the right to develop, open, and operate one BluTaco Restaurant using the System at and from the Approved Location only. BluTaco reserves all rights that BluTaco does not expressly grant Franchisee in this Agreement.

5.2 Size of Territory. The rights granted by this Agreement apply only to a single location within a territory that is designated in Schedule A attached hereto and incorporated herein (the "Territory"). Upon consent by Franchisor to the location for the BluTaco Restaurant, BluTaco shall set forth the location and Territory in Schedule A of this Agreement and shall provide a copy thereof to Franchisee. Schedule A, as completed by BluTaco, shall be incorporated herein and made a part hereof. Franchisee shall notify BluTaco within fifteen (15) days of any error or rejection of Schedule A; otherwise, the Schedule A provided to Franchisee shall be deemed final.

5.3 Territorial Rights and Limitations Inside Franchisee's Territory.

5.3.1 Territorial Rights and Limitations Generally. For as long as this Agreement is in effect, except as otherwise set forth in this Agreement, inside Franchisee's Territory: (i) BluTaco will not develop, open, or operate, and BluTaco will not authorize others to develop, open, or operate, restaurants using the Marks; and (ii) BluTaco and BluTaco's affiliates may develop, open, and operate, and may authorize others to develop, open, and operate, restaurants and other businesses using marks other than the Marks, without providing any rights or compensation to Franchisee.

5.3.2 Nontraditional Locations. Notwithstanding anything set forth in Section 5.3.1(i) of this Agreement to the contrary, BluTaco may develop, open, and operate, and BluTaco may authorize others to develop, open, and operate, restaurants using the System: (i) in grocery stores, convenience stores, and other business-within-a-business and similar locations (each such location being referred to in this Agreement as a "Business-Within-a-Business Location"); and (ii) in airports, train stations or terminals, bus stations or terminals, shopping center food courts, colleges, universities, sports arenas, stadiums, entertainment centers, government-owned and government-leased facilities including without limitation military bases, and similar venues (each such location, including Business-Within-a-Business Locations, being referred to in this Agreement as a "Nontraditional Location"), even if such restaurant in the Nontraditional Location is within Franchisee's Territory, and even if such restaurant competes with Franchisee.

5.4 Territorial Rights and Limitations Outside Franchisee's Territory. Outside Franchisee's Territory, BluTaco and BluTaco's affiliates may develop, open, and operate, and may authorize others to develop, open, and operate, restaurants using the Marks and marks other than the Marks, including without limitation marks associated with other systems BluTaco or BluTaco's affiliates may develop, without providing any rights or compensation to Franchisee.

5.5 Alternative Distribution Channels. Notwithstanding anything set forth in this Section 5 to the contrary, BluTaco and BluTaco's affiliates may offer for sale, sell, and deliver Products and Services, including without limitation BluTaco's private-label food, beverages, merchandise, miscellaneous items, and otherwise (collectively, the "Private-Label Products"), by means of the Internet; through catalog sales; through toll-free telephone lines or any similar forms of electronic commerce; through telemarketing, other direct-marketing techniques, and radio and television advertisements and sales; and through any other distribution channels (collectively, the "Alternative Distribution Channels"), inside or outside Franchisee's Territory, all without payment of any compensation to Franchisee; provided, however, except as otherwise set forth in this Section 5 of this Agreement, such Alternative Distribution Channels will not include restaurants using the Marks in Franchisee's Territory.

5.6 Service and Solicitation of Guests. Franchisee may serve guests who reside inside or outside Franchisee's Territory, even if such guests reside in the territory of a Company-Owned restaurant or the territory of another franchisee of BluTaco, all without payment of any compensation to BluTaco except for the amounts shown in this Agreement, and without payment of any compensation to such franchisee. BluTaco and BluTaco's other franchisees may serve guests who reside in Franchisee's Territory, all without payment of any compensation to Franchisee. Franchisee may not solicit business outside Franchisee's Territory, except that Franchisee may: (i) fulfill Franchisee's Local Advertising Requirement (as defined in Section 9.2 of this Agreement) by advertising jointly with other franchisees under the System in Franchisee's Territory and the territories of such other franchisees; (ii) list Franchisee's Restaurant on Franchisee's Internet Site (as defined in Section 9.7.2 of this Agreement) and Social Media Sites (as defined in Section 9.7.3 of this Agreement); and (iii) advertise via radio, television, and like media that broadcast into areas outside Franchisee's Territory, provided such radio stations, television stations, and like media also broadcast into Franchisee's Territory.

6. SITE SELECTION AND ACQUISITION

6.1 Approved Location. Franchisee will develop the Restaurant at the Approved Location. Franchisee has the sole responsibility for selecting the site where Franchisee proposes to develop the Restaurant (the "Proposed Site"). If, as of the Effective Date of this Agreement, Franchisee has determined a location for the Restaurant and BluTaco has approved such location, then BluTaco will show such Approved Location on the Franchise Summary of this Agreement. If, as of the Effective Date of this Agreement, BluTaco has not approved a location for the Restaurant:

6.1.1 Franchisee will determine a Proposed Site for the Restaurant. Such Proposed Site will be a site within the development area (the "Development Area") set forth in Schedule A to this Agreement. Such Development Area is non-exclusive. BluTaco and its affiliates may develop, open, and operate, and BluTaco and its affiliates may authorize others to develop, open, and operate, restaurants under the System and under systems other than the System, anywhere in such Development Area that BluTaco or its affiliates deems appropriate, all without payment of any compensation to Franchisee.

6.1.1.1 If Franchisee elects to lease the Proposed Site, Franchisee will deliver notice to BluTaco that Franchisee has selected the Proposed Site, together with the address and an unexecuted copy of the lease for such Proposed Site, so that BluTaco actually receives them by the end of ninety (90) days after the Effective Date of this Agreement.

6.1.1.2 If Franchisee elects to purchase the Proposed Site, Franchisee will deliver notice to BluTaco that Franchisee has selected the Proposed Site, together with the address and unexecuted copies of the purchase documents for such Proposed Site, so that BluTaco actually receives them by the end of ninety (90) days after the Effective Date of this Agreement.

6.1.2 BluTaco will have thirty (30) days after BluTaco receives the notice and required documents described in Section 6.1.1.1 or Section 6.1.1.2 of this Agreement to request information that BluTaco deems relevant to BluTaco's decision to approve or reject the Proposed Site. Such information may include, but will not be limited to: (i) demographic information, including population density, income levels, traffic counts, and traffic patterns in the area where the Proposed Site is located; (ii) potential competition in proximity to the Proposed Site, including potential competition from other BluTaco restaurants, and from restaurants of other systems BluTaco or BluTaco's affiliates may develop; (iii) matters related to the convenience of Franchisee's guests, including ease of access to the Proposed Site, the availability of convenient parking, visibility to the public, safety, and security; (iv) cost and expense information, including all loan documents, notes, mortgages, security agreements, and similar instruments and agreements; (v) a description of the construction, remodeling, and renovations required to conform the Proposed Site to BluTaco's requirements; and (vi) other information BluTaco deems appropriate (collectively, the "Site Evaluation Information"). BluTaco will approve or reject the Proposed Site by the end of thirty (30) days after BluTaco receives the last Site Evaluation Information BluTaco requests. BluTaco will not unreasonably withhold its approval of any Proposed Site. If BluTaco has not rejected the Proposed Site by the end of such thirty (30) day period, the Proposed Site will be deemed an Approved Location. If BluTaco rejects the Proposed Site, Franchisee and BluTaco will repeat the process described in this Section 6.1.2. Once the Approved Location is determined, BluTaco may amend the Franchise Summary of this Agreement to add the address of the Approved Location.

6.1.3 BluTaco may assist Franchisee in selecting a Proposed Site, and with negotiating the lease or purchase of the Proposed Site, but BluTaco will not be obligated to do so. BluTaco's approval of any Proposed Site is BluTaco's agreement that the Proposed Site satisfies BluTaco's minimum site selection criteria only, and shall not be construed as a representation or warranty that the Restaurant located at the Proposed Site will be successful. Franchisee specifically agrees that BluTaco shall not bear any responsibility related to the selection and approval of the Proposed Site, and that BluTaco shall have no liability related to such Proposed Site.

6.1.4 BluTaco may inspect any Proposed Site. BluTaco will bear all travel costs and expenses, and all costs of BluTaco's inspecting personnel, to inspect Franchisee's first Proposed Site. If BluTaco rejects Franchisee's first Proposed Site, or if Franchisee requests that BluTaco inspect additional Proposed Sites, Franchisee will reimburse BluTaco for the amount of BluTaco's travel costs and expenses, and all costs of BluTaco's inspecting personnel, to inspect the second or subsequent Proposed Sites.

6.1.5 At such time as BluTaco approves the Proposed Site, all of Franchisee's rights to the Development Area will terminate automatically, and will be replaced by the Territory.

6.1.6 If Franchisee has not obtained an Approved Location, and as a result Franchisee will be unable to meet the Opening Date set forth in Section 8.1 of this Agreement after any extensions of such Opening Date that BluTaco may grant Franchisee as set forth in Section 8.2 of this Agreement, BluTaco will have the right to terminate this Agreement pursuant to Section 20.4.7 of this Agreement.

6.2 Lease, Purchase, and Loan Agreement Terms.

6.2.1 Except as Franchisee and BluTaco may otherwise agree in a written agreement signed by the officers of Franchisee, BluTaco, and all other applicable parties, each lease, purchase, and loan agreement for the development, opening, and operation of the Restaurant: (i) will be entered into by and in the name of Franchisee as tenant, purchaser, or borrower; and (ii) will not be entered into by or in the name of any affiliate of Franchisee, or any other person or entity, as tenant, purchaser, or borrower.

6.2.2 Each lease, purchase, and loan agreement Franchisee enters into will provide, in a form and substance satisfactory to BluTaco: (i) terms and conditions comparable to those prevalent in the geographic area in which the Territory is located for similarly-situated tenants, purchasers, and borrowers; and (ii) that Franchisee will have quiet enjoyment and nondisturbance for as long as the lease or loan remains in good standing.

6.2.3 In addition to the requirements set forth in Section 6.2.2 of this Agreement, if Franchisee leases the Approved Location, each lease Franchisee enters into will provide, in a form and substance satisfactory to BluTaco:

6.2.3.1 That on the termination of this Agreement for any reason, or on the expiration of this Agreement without entry into a Replacement Franchise Agreement, BluTaco will have the option, for thirty (30) days after such termination or expiration: (i) if Franchisee is in breach of the lease, to cure such breaches; (ii) to assume Franchisee's obligations under the lease and replace Franchisee as the tenant under the lease, or to have another franchisee or other party BluTaco may designate assume Franchisee's obligations under the lease and replace Franchisee as the tenant under the lease.

6.2.3.2 That the landlord will: (i) deliver written notice to BluTaco specifying any and all of Franchisee's breaches related to such lease, and the method of curing the breaches; (ii) grant BluTaco thirty (30) days after BluTaco receives such notice to cure the breaches; and (iii) allow BluTaco to assume Franchisee's obligations under the lease and replace Franchisee as the tenant under the lease, or to have another franchisee or other entity BluTaco may designate assume Franchisee's obligations under the lease and replace Franchisee as the tenant under the lease.

6.2.3.3 That the provisions set forth in Section 6.2.3.1 of this Agreement, and in Clauses (ii) and (iii) of Section 6.2.3.2 of this Agreement, are rights but not obligations of BluTaco, and that notwithstanding the fact that BluTaco has such rights, BluTaco has no obligation to exercise such rights.

6.2.3.4 That Franchisee and the landlord will, on BluTaco's request, enter into a conditional assignment of lease, which conditional assignment of lease will grant BluTaco or its assignee the right to succeed to the rights and obligations of Franchisee under the lease in the event that: (i) this Agreement is terminated for any reason, or this expires without entry into a Replacement Franchise Agreement; or (ii) Franchisee commits any breach of the lease that could lead to termination of the lease agreement.

6.2.3.5 That the landlord agrees that as between Franchisee and BluTaco, and as between such landlord and BluTaco, Franchisee is solely responsible for all debts, payments, and performance under the lease that were incurred prior to the date and time that BluTaco, another franchisee, or such other entity as BluTaco may designate, actually takes possession of the leased premises.

6.2.3.6 That the permitted use of the Approved Location will be limited to the operation of an authorized BluTaco branded restaurant.

6.2.3.7 That the lease will not be modified or amended without BluTaco's prior written consent, which consent BluTaco will not unreasonably withhold. Franchisee will promptly provide BluTaco with copies of all proposed modifications or amendments, and true and correct copies of all executed modifications and amendments.

6.2.4 Franchisee covenants, warrants, represents, and agrees that with respect to any and all lease agreements, purchase agreements, loan agreements, and other agreements Franchisee enters into: (i) Franchisee will not create any obligations to be performed by BluTaco, grant any rights against BluTaco, or agree to any other act, omission, term, condition, or covenant that is inconsistent with any aspect of this Agreement; (ii) Franchisee will duly and timely perform all terms, conditions, covenants, and obligations under such lease agreements, purchase agreements, loan agreements, and other agreements; and (iii) Franchisee will not commit any breach of any term, condition, covenant, or other obligation of any such lease agreement, purchase agreement, loan agreement, or other agreement.

6.2.5 Franchisee covenants, warrants, represents, and agrees that with respect to any and all leases Franchisee enters into, except as otherwise provided in this Agreement, Franchisee will not assign, charge, encumber, or transfer any or all of Franchisee's rights under such lease, or sublet all or any part of the Approved Location, without BluTaco's prior express written consent.

6.3 Relocation of Restaurant. Franchisee will not relocate the Restaurant without BluTaco's prior written consent. To obtain BluTaco's consent, Franchisee must: (i) comply with the procedures set forth in Section 6.1 of this Agreement for a Proposed Site, and with such other criteria as BluTaco may establish; (ii) close its old Restaurant and open its relocated Restaurant substantially simultaneously so that there is no break in operations; and (iii) enter into BluTaco's then-current form of Relocation Agreement, which Relocation Agreement will set forth the terms of such relocation and will contain substantially the form of Release, Estoppel, Covenant Not to Sue, and Indemnification set forth in Schedule I to this Agreement. Subject to this Section 6.3, such new location will be deemed to be the "Approved Location" as that term is used in this Agreement. Any relocation of Franchisee's Restaurant will be at Franchisee's sole cost and expense. Franchisee will reimburse BluTaco for any costs or expenses BluTaco may incur related to such relocation, including without limitation all costs and expenses BluTaco may incur in evaluating Franchisee's replacement site, and all costs and expenses BluTaco may incur in connection with the Relocation Agreement, including without limitation BluTaco's attorneys' fees and costs, so that BluTaco actually receives such reimbursement by the end of ten (10) days after BluTaco demands such reimbursement.

7. SITE IMPROVEMENTS; PLANS; RENOVATION; CONSTRUCTION

7.1 Responsibility for Site Improvements. Franchisee will effect the site improvements and install the furniture, fixtures, equipment, décor, and signage at the Restaurant that BluTaco requires to comply with BluTaco's standards and specifications. BluTaco will consult with Franchisee regarding the design, construction, remodeling, equipping, and decorating of the Restaurant; provided, however, it will be Franchisee's sole responsibility to design, construct, remodel, equip, decorate, ready, and open the Restaurant in compliance with this Agreement and the Operations Manual.

7.2 Sample Plans; Proposed Final Plans; Approved Final Plans. BluTaco will provide Franchisee with a sample layout for the interior of a standard BluTaco restaurant and with a set of standard preliminary plans and specifications (such sample layout and standard preliminary plans and specifications being referred to collectively as the "Sample Plans") for furniture, fixtures, equipment, décor, and signage. Franchisee will employ architects, designers, engineers, and such others as may be necessary to complete, adapt, or modify the Sample Plans and specifications for the Restaurant, or to substitute other plans and specifications for such Sample Plans. Franchisee will submit to BluTaco a complete set of final plans and specifications Franchisee proposes to use (the "Proposed Final Plans") before Franchisee commences any construction of the Restaurant. BluTaco will review the Proposed Final Plans promptly, and will approve or provide comments regarding such Proposed Final Plans to Franchisee by the end of thirty (30) days after BluTaco receives such Proposed Final Plans. Franchisee may not commence construction of the Restaurant until BluTaco has approved the Proposed Final Plans in writing (such Proposed Final Plans being referred to in this Agreement, after BluTaco's approval, as the "Approved Final Plans"). Subject to this Section 7.2, BluTaco will provide all Sample Plans, and will review, provide comments to, and approve, the Proposed Final Plans, at no additional cost to Franchisee. All completion, adaptation, modification, or replacement of such Sample Plans; all preparation, adaptation, modification, or replacement of the Proposed Final Plans; and all preparation of the Approved Final Plans, will be at Franchisee's sole cost and expense.

7.3 Responsibility for Costs and Expenses. Franchisee will effect all site improvements related to Franchisee's Restaurant at Franchisee's sole cost and expense. Franchisee will lease or purchase, install, use, and maintain all furniture, fixtures, equipment, décor, and signage related to the Restaurant at Franchisee's sole cost and expense.

7.4 Renovation of Restaurant. Franchisee acknowledges and agrees that it is in Franchisee's best interests, and that is in the best interests of BluTaco's other franchisees and the System, that each BluTaco restaurant, including Franchisee's Restaurant, be clean, up-to-date, well-maintained, and well-appointed. Therefore, Franchisee acknowledges and agrees that Franchisee will, at BluTaco's request, Renovate Franchisee's Restaurant to conform to: (i) BluTaco's then-current standards and specifications for BluTaco restaurants; and (ii) BluTaco's judgment as to the condition, state of repair, functionality, and general appearance of Franchisee's Restaurant, furniture, fixtures, equipment, décor, and signage compared to the condition, state of repair, functionality, and general appearance that BluTaco considers desirable. Franchisee will effect such Renovations at Franchisee's sole cost and expense. Franchisee and BluTaco acknowledge and agree that the Renovations are intended to be periodic large-scale refurbishment and remodeling of Franchisee's Restaurant, and replacement of worn, obsolete, or non-functioning furniture, fixtures, equipment, décor, and signage, and that nothing set forth in this Section 7.4 of this Agreement will affect BluTaco's right to require Franchisee to maintain Franchisee's Restaurant in compliance with this Agreement, the Operations Manual, and BluTaco's standards and specifications, or Franchisee's obligation to do so.

7.4.1 BluTaco will not require Franchisee to Renovate the Restaurant more often than one (1) time every seven (7) years.

7.4.2 Franchisee will submit to BluTaco a complete set of plans, specifications, and equipment lists Franchisee proposes to use to effect the Renovations (the "Proposed Renovation Plans") before Franchisee commences any Renovation of the Restaurant. BluTaco will review the Proposed Renovation Plans promptly and will approve or provide comments regarding such Proposed Renovation Plans to Franchisee by the end of thirty (30) days after BluTaco receives such Proposed Renovation Plans. Franchisee may not commence Renovation of the Restaurant until BluTaco has approved the Proposed Renovation Plans in writing (such Proposed Renovation Plans being referred to in this Agreement, after BluTaco's approval, as the "Approved Renovation Plans").

7.4.3 Franchisee will complete all Renovations by the end of six (6) months after BluTaco delivers notice to Franchisee that BluTaco is requiring Franchisee to effect such Renovations.

7.5 Construction, Inspection, and Opening. Franchisee will use a licensed general contractor to perform all construction, remodeling, refurbishment, and Renovation of the Restaurant. On BluTaco's request, Franchisee will immediately furnish to BluTaco: (i) the names and addresses of any or all subcontractors and vendors involved in any construction, remodeling, refurbishment, or Renovations; (ii) copies of all permits, licenses, contractors' liability insurance certificates, and other items required for the lawful construction, remodeling, refurbishment, Renovation, equipping, and operation of the Restaurant; and (iii) copies of all construction contracts, documents, and lien waivers, related to such construction, remodeling, refurbishment, Renovation, and equipping of the Restaurant.

7.5.1 BluTaco will not be responsible for any delays in the design, construction, remodeling, refurbishment, Renovation, or equipping of the Restaurant, or for any loss resulting from such design, construction, remodeling, refurbishment, Renovations, or equipping. BluTaco must approve in writing all material changes to the Approved Final Plans and Approved Renovation Plans before Franchisee effects any such changes. Franchisee will grant BluTaco access to the Approved Location while work is in progress and will cooperate with BluTaco in any inspections BluTaco may desire to conduct. Franchisee will promptly effect such alterations to or modifications of the construction or Renovation of the Restaurant as BluTaco may deem necessary.

7.5.2 Franchisee acknowledges and agrees that Franchisee: (i) will permit BluTaco, on BluTaco's request, to conduct a final inspection of the completed or Renovated Restaurant; (ii) will effect such corrections, alterations, and modifications as BluTaco may deem necessary to bring the Restaurant into compliance with the Approved Final Plans, Approved Renovation Plans, Operations Manual, BluTaco's standards and specifications, or otherwise; and (iii) will not open the Restaurant unless and until it conforms to the Approved Final Plans, Approved Renovation Plans, Operations Manual, BluTaco's standards and specifications, and changes to any of them as BluTaco may approve.

7.5.3 Failure to correct promptly any material unauthorized variances from the Approved Final Plans, Approved Renovation Plans, Operations Manual, or BluTaco's standards and specifications, will be a breach of Section 20.4.7 of this Agreement.

7.5.4 Franchisee will effect all construction, remodeling, refurbishment, and Renovation of the Restaurant in compliance with all ordinances and building codes.

7.6 Signage and Trade Dress. Franchisee will install and will prominently display at the Restaurant the signage and trade dress BluTaco specifies. All signage and trade dress related to the Restaurant must conform to such standards and specifications as BluTaco may prescribe as to type, color, size, design, location, manner of display, and otherwise. Franchisee will obtain BluTaco's prior written approval before Franchisee installs, displays, adds to, deletes from, or modifies any such signage or trade dress. Franchisee will not display any signage or trade dress that BluTaco has not authorized Franchisee to display, or that BluTaco has directed Franchisee not to display.

8. OPENING DATE; EXTENSION OF OPENING DATE

8.1 Opening Date of Restaurant. Franchisee will open the Restaurant for regular business operations by the end of the date set forth in the Franchise Summary of this Agreement (the "Opening Date"). Franchisee will be deemed to have opened the Restaurant for regular business operations when Franchisee: (i) is ready, willing, and able to offer for sale and sell the Products and Services under the System at the Restaurant; (ii) has obtained all approvals, consents, permits, and licenses required to operate the Restaurant and to offer for sale and sell the Products and Services; and (iii) is in substantial compliance with the Operations Manual, this Agreement, and any and all other agreements related to the Franchised Business to which Franchisee or any of Franchisee's affiliates on the one hand, and BluTaco or any of BluTaco's affiliates on the other hand, are parties. Franchisee may not open and commence regular business operations until BluTaco has given Franchisee BluTaco's written approval to do so.

8.2 Extension of Opening Date. BluTaco will grant Franchisee up to three (3) sixty (60) day extensions of the Opening Date. BluTaco will not charge Franchisee any fee for the first such sixty (60) day extension. For the second such sixty (60) day extension, Franchisee will pay BluTaco a non-refundable extension fee of Two Thousand Five Hundred and No/100 Dollars ($2,500). For the third such sixty (60) day extension, Franchisee will pay BluTaco a non-refundable extension fee of Five Thousand and No/100 Dollars ($5,000).

8.2.1 To obtain an extension of the Opening Date: (i) Franchisee must request such extension in writing so that BluTaco actually receives such request by the end of ten (10) days before the then-current scheduled Opening Date; (ii) BluTaco must actually receive the payment set forth in Section 8.2 for such extension, provided Section 8.2 requires such payment, together with Franchisee's request for such extension; and (iii) Franchisee and Principal(s) must enter into BluTaco's then-current form of Agreement Extending Opening Date, which Agreement Extending Opening Date will contain BluTaco's agreement to extend the scheduled Opening Date, and will include a Release, Estoppel, Covenant Not to Sue, and Indemnification in substantially the form set forth in Schedule I to this Agreement.

8.2.2 BluTaco will not be required to grant Franchisee's request for an extension of the Opening Date: (i) if Franchisee is, at the time of Franchisee's request, in breach of this Agreement; (ii) if Franchisee has not been in substantial compliance with this Agreement and the Operations Manual during the portion of the Term that has expired; or (iii) if BluTaco determines, in BluTaco's exercise of Reasonable Business Judgment, that Franchisee would be unable to open the Restaurant by the end of the third (3rd) such extension of the scheduled Opening Date, if BluTaco were to grant such extension.

8.3 Obtaining Approvals; Inability to Open. Franchisee is solely responsible for promptly seeking and obtaining all governmental and other approvals, consents, permits, and licenses required to develop, open, and operate the Restaurant and to offer for sale and sell the Products and Services. Franchisee will use its best efforts to obtain all such required approvals, consents, permits, and licenses. Franchisee specifically agrees that BluTaco shall not bear any responsibility related to such approvals, consents, permits, and licenses, and shall have no liability related to any of them.

9. ADVERTISING FEES; ADVERTISING AND PROMOTION

9.1 Grand Opening Advertising Requirement. During the period beginning thirty (30) days before the Opening Date and ending sixty (60) days after such Opening Date, Franchisee must spend at least the amount set forth in the Franchise Summary on a program of local advertising and promotion promoting the grand opening of the Restaurant (the "Grand Opening Advertising Requirement"), as BluTaco prescribes. Such Grand Opening Advertising Requirement is in addition to the Local Advertising Requirement set forth in Section 9.2 of this Agreement.

9.2 Local Advertising Requirement. Franchisee will spend, each calendar quarter, the percentage of Franchisee's Gross Sales of the Restaurant set forth in the Franchise Summary, for the immediately-preceding calendar quarter, on a program of local advertising and promotion using the Marks in the Territory or in areas adjoining it (the "Local Advertising Requirement"). Such Local Advertising Requirement shall be prorated, on a straight-line basis, for each period at the beginning and end of the Term that is not a part of a whole calendar quarter. Expenditures on civic and charitable programs will be considered "local advertising and promotion" for the purpose of this Section 9.2, provided such programs display the Marks prominently or make material reference to Franchisee's Restaurant. Franchisee may deduct good-faith rebates Franchisee receives from advertising or promotional activities from the amount of the Local Advertising Requirement. Franchisee may apply funds spent through the MDF Program to its Local Advertising Requirement. The value of complimentary or discounted Products and Services, promotional discounts, and coupons shall not count toward fulfillment of the Local Advertising Requirement. Company-Owned BluTaco restaurants will spend the same amounts for local advertising and promotion as franchised restaurants are required to spend.

9.3 Regional Advertising Fee. BluTaco may determine that all BluTaco restaurants in a given market area should participate in a market-wide cooperative advertising arrangement (a "Regional Advertising Cooperative"). BluTaco will define such market area by one or more whole or partial cities, counties, Nielsen Designated Market Areas, or otherwise. If BluTaco determines that Franchisee must participate in a Regional Advertising Cooperative, BluTaco will notify Franchisee, and Franchisee's participation in the Regional Advertising Cooperative will be mandatory.

9.3.1 BluTaco will specify the percentage of Franchisee's Gross Sales that Franchisee must contribute to the Regional Advertising Cooperative (the "Regional Advertising Fee"); provided, however, such Regional Advertising Fee will not exceed two percent (2%) of Franchisee's Gross Sales. Franchisee may reduce the percentage Franchisee is required to spend to satisfy the Local Advertising Requirement by the percentage Franchisee contributes to the Regional Advertising Cooperative.

9.3.2 Company-Owned BluTaco restaurants in an area where BluTaco establishes a Regional Advertising Cooperative will pay the same Regional Advertising Fee percentage as similarly-situated franchised BluTaco restaurants in such area are required to pay.

9.3.3 BluTaco will have sole discretion over the application and disbursement of sums the Regional Advertising Cooperative collects, and the administration of the Regional Advertising Cooperative, all of which BluTaco may modify from time to time.

9.3.4 Franchisee acknowledges and agrees that: (i) the Regional Advertising Cooperative is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System in the area covered by the Regional Advertising Cooperative; and (ii) BluTaco has no obligation in administering the Regional Advertising Cooperative to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee or geographic region in the Regional Advertising Cooperative benefits directly or pro rata from Regional Advertising Cooperative advertising or promotional activities.

9.3.5 If BluTaco grants voting power to restaurants in the Regional Advertising Cooperative, Company-Owned BluTaco restaurants: (i) will have the same voting rights as franchisee-owned restaurants; and (ii) subject to Clause (i) above, will not have controlling voting power over fees that the Regional Advertising Cooperative imposes.

9.3.6 BluTaco may prepare written governing documents for the Regional Advertising Cooperative. If BluTaco prepares such written governing documents, BluTaco will provide Franchisee with a copy on Franchisee's written request.

9.3.7 BluTaco will prepare an accounting of the books of the Regional Advertising Cooperative each year. BluTaco will provide Franchisee with a copy of such accounting on Franchisee's written request.

9.3.8 BluTaco reserves the right to dissolve the Regional Advertising Cooperative at any time. No such dissolution will be effective until all monies in the Regional Advertising Cooperative have been spent for advertising or promotional purposes or returned to their contributors in proportion to their contributions.

9.3.9 BluTaco reserves the right to change the area covered by the Regional Advertising Cooperative, or to merge such Regional Advertising Cooperative with other cooperatives.

9.3.10 BluTaco may use Regional Advertising Cooperative contributions to meet any and all costs and expenses BluTaco may incur arising out of or related to BluTaco's administration of the Regional Advertising Cooperative and the preparing, implementing, placing, and maintaining of Regional Advertising Cooperative advertising and promotions.

9.4 Access to Advertising. BluTaco will grant Franchisee access to advertising and promotional programs and material BluTaco or BluTaco's designated advertising agency may develop for the System. Franchisee will receive, at no additional charge, access to all advertising and promotional programs and materials produced for the System for radio, television, or print media, including ad slicks, circulars, direct mail pieces, broad sheets, newsletters, and brochures. Franchisee will pay the hard costs associated with such programs and materials, such as the cost of purchasing media, film, plates, paper, and other hard costs; any shipping and handling charges for delivering such items to Franchisee; and all costs of having such materials published in the media. Franchisee will pay all costs of customizing such programs and materials.

9.5 Control of Advertising. Franchisee will use only advertising and promotional materials that BluTaco has provided to Franchisee or that BluTaco has approved in writing in advance.

9.5.1 If Franchisee desires to use advertising and promotional materials that BluTaco has provided to Franchisee, Franchisee must submit to BluTaco a description of the media in which Franchisee proposes to use them for BluTaco's approval prior to such use. BluTaco will have twenty-one (21) days in which to approve or disapprove the use of such materials in the media Franchisee proposes. If BluTaco has not disapproved the use of such materials in the media Franchisee proposes by the end of 21 days after BluTaco receives the descriptions from Franchisee, such use will be deemed approved.

9.5.2 If Franchisee desires to use advertising and promotional materials that BluTaco has not provided to Franchisee, Franchisee must submit such advertising and promotional materials, together with a description of the media in which Franchisee proposes to use them, to BluTaco for BluTaco's approval prior to such use. BluTaco will have twenty-one (21) days in which to approve or disapprove such materials and their use in the media Franchisee proposes. If BluTaco has not disapproved the use of such materials in the media Franchisee proposes by the end of 21 days after BluTaco receives the descriptions from Franchisee, they will be deemed approved.

9.5.3 Franchisee will not: (i) issue any press release or similar promotion related to the Restaurant, the Franchised Business, or the System unless BluTaco expressly approves such press release or promotion in writing in advance; (ii) conduct any advertising or promotional activities that fall outside BluTaco's guidelines; or (iii) advertise the Restaurant with any business that is not operated under this Agreement or some other BluTaco franchise agreement, without BluTaco's prior written consent.

9.5.4 Franchisee acknowledges and agrees that all advertising materials BluTaco prepares or provides are protected by copyright and are BluTaco's sole and exclusive property.

9.6 VIP Programs.

9.6.1 BluTaco may establish VIP guest programs, frequent-guest programs, gift card programs, coupon programs, and other promotional activities and programs (collectively, the "VIP Programs"). If BluTaco develops such VIP Programs, Franchisee will participate in such VIP Programs as BluTaco may direct.

9.6.2 In connection with such VIP Programs: (i) Franchisee acknowledges and agrees that BluTaco may modify all or any part of any VIP Program to adapt to changes in technology, the marketplace, economic conditions, business conditions, the hospitality profession, the Law, the demands of consumers, BluTaco's business needs, the needs of the System, and otherwise; (ii) Franchisee acknowledges and agrees that such modifications may include additions to, deletions from, and modifications to the VIP Programs; and modifications to any or all of the rules, guidelines, standards, specifications, plans, programs, and procedures related to the VIP Programs; (iii) Franchisee acknowledges and agrees that Franchisee expects BluTaco to change the VIP Programs; (iv) Franchisee covenants, warrants, represents, and agrees that Franchisee will comply with all rules, guidelines, standards, specifications, plans, programs, and procedures related to the VIP Programs as BluTaco adds to, deletes from, and modifies any or all of them from time to time; and (v) BluTaco acknowledges and agrees that such additions, deletions, and modifications will not materially and unreasonably increase Franchisee's obligations or decrease Franchisee's rights set forth in this Agreement.

9.6.3 Franchisee acknowledges and agrees that: (i) the VIP Programs will be deemed to be a part of the System for all purposes; (ii) Franchisee will pay any and all costs and expenses arising out of or related to its participation in such VIP Programs; and (iii) Franchisee will comply with all Laws related to the VIP Programs, including without limitation the Fair Credit Reporting Act, and laws governing privacy, consumer information, escheatment, and unclaimed property.

9.7 Internet Advertising; Social Media.

9.7.1 BluTaco's Internet Advertising. BluTaco will list Franchisee's Restaurant on any Internet site BluTaco maintains that lists franchised and Company-Owned BluTaco restaurants operating under the System to the same extent as BluTaco lists such other restaurants generally.

9.7.2 Franchisee's Internet Advertising. Franchisee may create, at Franchisee's sole cost and expense, an Internet site (Franchisee's "Internet Site") for the Restaurant. Such Internet Site must hyperlink off one or more Internet sites that BluTaco designates. Franchisee must use and publish all templates and forms BluTaco directs Franchisee to use and publish in connection with the Internet Site. Franchisee must submit to BluTaco all text, graphics, photographs, and other material (collectively, the "Internet Content") Franchisee proposes to use in connection with, or to publish on, the Internet Site, including all material modifications to the Internet Content, prior to such use or publication. Franchisee acknowledges and agrees that: (i) BluTaco has the right to approve, disapprove, and modify the Internet Content; (ii) BluTaco may format, upload, or hyperlink Franchisee's Internet Site to any other Internet site related to the System that BluTaco designates; and (iii) BluTaco may modify, use, print, publish, display, store, and transmit the Internet Content, and may authorize third parties to modify, use, print, publish, display, store, and transmit the Internet Content, all as BluTaco deems appropriate, without payment of any compensation to Franchisee. Franchisee acknowledges that as between Franchisee and BluTaco, BluTaco has the sole and exclusive ownership, right, title, and interest in and to all Internet Sites, domain names, and Internet Content related to the System.

9.7.3 Franchisee's Social Media Advertising. Franchisee may establish, at Franchisee's sole cost and expense, sites (collectively, the "Social Media Sites") on Facebook and other social media and social network services. Franchisee acknowledges and agrees that: (i) BluTaco has the right to disapprove or to require Franchisee to modify the text, graphics, photographs, and other material (collectively, the "Social Media Content") on any Social Media Site; (ii) all of Franchisee's Social Media Sites and Social Media Content must comply with BluTaco's rules, guidelines, standards, specifications, plans, programs, and procedures; (iii) BluTaco may hyperlink Franchisee's Social Media Sites to any other Internet site related to the System that BluTaco designates; and (iv) BluTaco may modify, use, print, publish, display, store, and transmit any of the Social Media Content, and may authorize third parties to modify, use, print, publish, display, store, and transmit any of the Social Media Content, all as BluTaco deems appropriate, subject to the requirements of the social network service that hosts the applicable Social Media Site, without payment of any compensation to Franchisee. Franchisee will keep BluTaco advised at all times of Franchisee's Social Media Sites' addresses and domain names. Franchisee acknowledges that:

9.7.3.1 BluTaco has the sole ownership, right, title, and interest in and to the Social Media Content of all Social Media Sites, subject to the requirements of the social network service that hosts the applicable Social Media Site.

9.7.3.2 BluTaco has the sole ownership, right, title, and interest in and to all domain names related to the Social Media Sites, subject to the requirements of the social network service that hosts the applicable Social Media Site.

9.7.3.3 The Social Media Content on each Social Media Site must meet the standards of propriety that BluTaco prescribes. Franchisee will monitor the Social Media Content on each Social Media Site. Franchisee will remove any Social Media Content that: (i) BluTaco deems inappropriate; (ii) Franchisee deems inappropriate; or (iii) a reasonable person would deem inappropriate, so that such removal is fully effected immediately on BluTaco's demand, or within twelve (12) hours after such Social Media Content is posted on the applicable Social Media Site, whichever is earlier. Notwithstanding the provisions set forth in Section 22.2 of this Agreement governing the delivery of notice, BluTaco's demand for such removal may be delivered: (a) verbally or in writing; and (b) by telephone, email, text message, facsimile transmission, in-person, or otherwise.

9.8 <u>MDF Program: Reimbursement of Qualified Advertising Franchisee Publishes</u>.

9.8.1 <u>MDF Program</u>. BluTaco has developed a program under which BluTaco will reimburse Franchisee for a portion of Franchisee's expenditures for qualified advertising Franchisee publishes. BluTaco refers to this program as the "MDF Program."

9.8.2 <u>Definitions</u>.

9.8.2.1 <u>Accrual Fund</u>. "Accrual Fund" shall mean the advertising fund or funds that BluTaco creates.

9.8.2.2 <u>Advertising Claim</u>. "Advertising Claim" shall mean a request for reimbursement that Franchisee submits to BluTaco, using the form BluTaco specifies, in the manner BluTaco specifies, requesting that BluTaco use amounts Franchisee has accrued in the Accrual Fund to reimburse Franchisee for Qualified Advertising Franchisee publishes. Such Advertising Claim must include: (i) proof that the Qualified Advertising for which Franchisee is requesting was in fact published; (iii) the date of such publication; (iii) the net amount Franchisee paid for such publication; and (iv) such other information as BluTaco may request.

9.8.2.3 <u>Balance</u>. "Balance" shall mean the amount BluTaco is holding in the Accrual Fund from Franchisee's net purchases of Branded Products. "Balance" shall not include amounts

BluTaco is holding in the Accrual Fund for BluTaco's other franchisees' purchases of Branded Products or for any other reason.

9.8.2.4 Qualified Advertising. "Qualified Advertising" shall mean advertising in broadcast, print or electronic media, or any other advertising material or signage BluTaco approves for reimbursement with MDF Program funds, that: (i) Franchisee submits to BluTaco in the manner BluTaco specifies for its approval prior to purchase or publication; and (ii) BluTaco approves in writing.

9.8.3 Accrual Fund; Deposits BluTaco Makes into Accrual Fund. BluTaco will create the Accrual Fund. BluTaco will deposit nine percent (9.0%) of Franchisee's total net purchases of Branded Products into the Accrual Fund. BluTaco's affiliate Pro Food Systems, Inc. will provide Franchisee with an initial MDF contribution of One Thousand and No/100 Dollars ($1,000) to be used for advertising and promotional purposes for the Restaurant.

9.8.4 Reimbursement for Expenditures for Qualified Advertising. To receive reimbursement of expenditures Franchisee makes for purchase or publication of Qualified Advertising, Franchisee must submit an Advertising Claim to BluTaco. Franchisee must submit each Advertising Claim so htat BluTaco actually receives it by the end of ninety (90) days after the Qualified Advertising that is the subject of the Advertising Claim was published.

9.8.4.1 If BluTaco approves the Advertising Claim, BluTaco will reimburse Franchisee for the amount of the Advertising Claim, up to the Balance BluTaco is holding for Franchisee in the Accrual Fund from Franchisee's net purchases of Branded Products.

9.8.4.2 Notwithstanding anything to the contrary set forth in this Agreement, BluTaco reserves the right to pay the amount of any Advertising Claim directly to the applicable supplier of advertising, and not to Franchisee.

9.8.4.3 In no event will BluTaco be required to reimburse Franchisee for any amount in excess of Franchisee's Balance in the Accrual Fund. In no event will BluTaco be required to pay any supplier of advertising any amount in excess of Franchisee's Balance in the Accrual Fund.

9.8.5 Reimbursement Date. BluTaco will pay Franchisee the amount of any Advertising Claim BluTaco may owe by the end of thirty (30) days after the end of each Program Quarter.

9.8.6 Expiration. Any portion of Franchisee's Balance in the Accrual Fund that is over one (1) Program Year old will be deducted from the Balance and will not be eligible to be used for reimbursement of an Advertising Claim. BluTaco will have the right to use such portion as it deems appropriate.

9.8.7 MDF Policies and Procedures. BluTaco's Standards and Specifications specifically include, without limitation, rules, guidelines, standards, specifications, plans, programs and procedures that BluTaco publishes in connection with the MDF Program (collectively, the "MDF Policies and Procedures"). BluTaco may add to, delete from and modify the MDF Policies and Procedures from time to time as it deems appropriate. Franchisee must comply with the MDF Policies and Procedures and all additions to, deletions from, and modifications of them.

9.8.8 Compliance with Agreements. BluTaco will not be required to pay any Advertising Claim under this Section 9.8: (i) if BluTaco has notified Franchisee of any non-compliance with this Agreement during the immediately preceding program-year; (ii) if Franchisee is, at the time Franchisee submits the Advertising Claim, in breach of this Agreement; (iii) if Franchisee or any of its affiliates are, at the time Franchisee submits the Advertising Claim, in breach of any other agreement to which Franchisee or any of its affiliates on the one hand, and BluTaco or any of its affiliates on the other hand, are parties; (iv) if Franchisee has not been in substantial compliance with this Agreement during so much of the Term of this Agreement as has expired; or (v) if Franchisee or any of its affiliates have not been in substantial compliance with all other agreements to which Franchisee or any of its affiliates on the one hand, and BluTaco or any of its affiliates on the other hand, are parties, during so much of the terms of such agreements as have expired. BluTaco will have the sole discretion to determine whether Franchisee or any of its affiliates are in breach of this Agreement or the other agreements described in this Section 9.8.8, or whether Franchisee or any of its affiliates have not been in substantial compliance with such agreements.

9.8.9 Ownership of Amounts. Franchisee acknowledges and agrees that all amounts set forth in Section 9.8.3 of this Agreement and otherwise are BluTaco's sole and exclusive property until BluTaco has actually paid the Advertising Claim related to such amounts.

9.8.10 BluTaco's Rights.

9.8.10.1 BluTaco reserves the right to discontinue the MDF Program at any time on notice to Franchisee, as BluTaco deems appropriate in its sole discretion. If BluTaco discontinues the MDF Program, BluTaco will pay all Advertising Claims as set forth in this Section 9.8 up to the amount of Franchisee's Balance in the Accrual Fund, subject to Section 9.8.6 ("Expiration") of this Agreement.

9.8.10.2 BluTaco may charge Franchisee a reasonable fee for advertising and marketing materials that Franchisee asks BluTaco to produce, or that BluTaco produces on Franchisee's behalf. Franchisee agrees that: (i) BluTaco may deduct the amount of these fees from Franchisee's account in the Accrual Fund; and (ii) if the amount in Franchisee's account in the Accrual Fund is not sufficient to pay the fees, Franchisee will pay BluTaco the amount Franchisee owes so that BluTaco actually receive the payment by the end of thirty (30) days after we request payment.

10. PRODUCTS, EQUIPMENT, SERVICES, SUPPLIES, AND MERCHANDISE

10.1 Proprietary Products. BluTaco specifies certain products, equipment, services, supplies, and merchandise that are developed by, proprietary to, or kept secret by BluTaco (collectively the "Proprietary Products"). Franchisee must purchase, license, or otherwise obtain such Proprietary Products only from BluTaco, from suppliers BluTaco designates, from suppliers Franchisee selects and BluTaco approves, or in accordance with BluTaco's written specifications. BluTaco may modify its specifications for Proprietary Products from time to time. Proprietary Products may include, but will not be limited to, the furniture, fixtures, equipment, décor, and signage Franchisee uses in the Restaurant; the ingredients, components, and finished products Franchisee uses in connection with the Products and Services; BluTaco's menus, point of purchase materials, promotional displays and items, marketing materials, and similar items; BluTaco's private-label office supplies; BluTaco's uniforms; and BluTaco's Private-Label Products. If BluTaco offers such Proprietary Products, BluTaco will offer them to Franchisee at substantially the same prices and on substantially the same terms as BluTaco offers them to similarly-situated franchisees. BluTaco warrants that any Proprietary Product BluTaco or its affiliates sell or license to Franchisee will meet BluTaco's specifications. BluTaco neither makes nor intends, nor does BluTaco authorize any agent or representative to make, any other warranty, express or implied, related to any Proprietary Product.

10.2 Non-Proprietary Products. BluTaco specifies certain products, equipment, services, supplies, and merchandise that are required for the operation of the Franchised Business (collectively the "Non-Proprietary Products"). Franchisee must purchase, license, or otherwise obtain such Non-Proprietary

Products only from BluTaco or BluTaco's affiliates; from suppliers BluTaco designates; from suppliers Franchisee selects and BluTaco approves; or in accordance with BluTaco's written specifications. BluTaco may modify its specifications for Non-Proprietary Products from time to time. Non-Proprietary Products may include, but will not be limited to, Franchisee's computer hardware and software; and the cleaning supplies, consumables, and other materials Franchisee uses to maintain the Restaurant.

10.3 Disclaimer of Warranties. BLUTACO EXPRESSLY EXCLUDES AND DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AS TO ALL PRODUCTS, EQUIPMENT, SERVICES, SUPPLIES, AND MERCHANDISE BLUTACO OFFERS FOR SALE, SELLS, LICENSES, OR DELIVERS. FRANCHISEE'S SOLE AND EXCLUSIVE REMEDY AND BLUTACO'S SOLE AND EXCLUSIVE LIABILITY FOR ANY AND ALL CLAIMS AS TO ANY SUCH ITEM IS LIMITED TO THE PURCHASE PRICE OF THE ITEM AS TO WHICH THE CLAIM IS MADE, PLUS SHIPPING COSTS, IF ANY, FRANCHISEE PAID; OR AT BLUTACO'S OPTION, THE REPLACEMENT OF SUCH ITEM.

10.4 Approval of Alternative Suppliers.

10.4.1 Franchisee may request that BluTaco approve alternative suppliers and their products, equipment, services, supplies, or merchandise. BluTaco shall have no obligation to approve such suppliers or their products, equipment, services, supplies, or merchandise. BluTaco shall have the right to disapprove such suppliers and their products, equipment, services, supplies, and merchandise in BluTaco's sole and absolute discretion.

10.4.2 If BluTaco evaluates such suppliers and their products, equipment, services, supplies, and merchandise, it will do so in accordance with the following procedure: (i) Franchisee must submit a written request to BluTaco for approval, together with such samples, specifications, photographs, delivery terms, and other information as BluTaco may request; (ii) the proposed supplier must demonstrate, to BluTaco's reasonable satisfaction, that it is able to supply such products, equipment, services, supplies, and merchandise to Franchisee in compliance with BluTaco's specifications; and (iii) the proposed supplier must demonstrate that it is in good standing in the business community with respect to its financial soundness and integrity, and with respect to the reliability of the products, equipment, services, supplies, and merchandise it offers. BluTaco may test, analyze, inspect, and sample, at Franchisee's cost and expense, the products, equipment, services, supplies, and merchandise of any supplier Franchisee proposes to use, regardless of whether BluTaco approves or rejects such supplier as a source of supply. BluTaco will give Franchisee notice of BluTaco's approval or disapproval by the end of thirty (30) days after BluTaco receives the last information BluTaco requests in order to perform such evaluation. BluTaco may revoke its approval of any supplier, product, equipment, service, supply, or merchandise. If BluTaco revokes such approval, BluTaco will give Franchisee written notice of such revocation. If BluTaco gives Franchisee written notice of such revocation, Franchisee must cease all use of such supplier, product, equipment, service, supply, or merchandise by the end of the time BluTaco specifies, which may be immediately.

10.5 Shipment: Release. If BluTaco or any of its affiliates arranges shipment of products, equipment, services, supplies, or merchandise to Franchisee: (i) such arrangement is a gratuitous accommodation for Franchisee's convenience; and (ii) BluTaco and its affiliates will have no duty, responsibility, or liability related to the selection, acts, or omissions of any carrier.

10.6 Obligations on Franchisee's Breach. If Franchisee or any of its affiliates is in breach of any agreement to which BluTaco or any of its affiliates on the one hand, and Franchisee or any of its affiliates on the other hand, are parties, BluTaco and its designee will have no obligation to sell any products, equipment, services, supplies, or merchandise to Franchisee; and Franchisee will not, as a result, have: (i) a defense at law or in equity or otherwise based on impossibility or impracticability of Franchisee's performance; or (ii) any claim against BluTaco or its designee.

10.7 VIR Program: Cash Rebates to Franchisee for Purchases Franchisee Makes.

10.7.1 VIR Program. BluTaco has developed a program under which BluTaco will pay Franchisee a rebate based on Franchisee's purchases of Branded Products. BluTaco refers to this program as the "VIR Program".

10.7.2 Amount of Rebate. The amount of the rebate BluTaco pays Franchisee under the VIR will be equal to six percent (11%) of Franchisee's total net purchases of Branded Products per Program Quarter.

10.7.3 Example. As an example of the rebate calculation, assume Franchisee's total net purchases of Branded Products during Program Quarter One (1) are $100,000. BluTaco would pay Franchisee a rebate of $11,000 (i.e., $100,000 x .11).

10.7.4 Payment Date. BluTaco will pay Franchisee the amount of the rebate BluTaco may owe by the end of the fifteenth (15^{th}) day of the Program Quarter for Franchisee's purchase of Branded Products during the immediately preceding Program Quarter.

10.7.5 Compliance with Agreements. BluTaco will not be required to pay Franchisee any VIR: (i) if BluTaco has notified has notified Franchisee of any non-compliance with this Agreement during the immediately preceding Program Year; (ii) if Franchisee is, at the end of the Program Quarter, or on the date BluTaco is required to pay to Franchisee the rebate, in breach of this Agreement; (ii) if Franchisee or any of its affiliates are, at the end of the Program Quarter, or on the date BluTaco is required to pay Franchisee the rebate, in breach of any other agreement to which Franchisee or any of its affiliates on the one hand, and BluTaco or any of its affiliates on the other hand, are parties; (iv) if Franchisee has not been in substantial compliance with this Agreement during so much of the Term of this Agreement as has expired; or (v) if Franchisee or any of its affiliates have not been in substantial compliance with all other agreements to which Franchisee or any of its affiliates on the one hand, and BluTaco or any of its affiliates on the other hand, are parties, during so much of the terms of such agreements as have expired. BluTaco will have the sole discretion to determine whether Franchisee or any of its affiliates are in breach of this Agreement or the other agreements described in this Section 10.7.5, or whether Franchisee or any of its affiliates have not been in substantial compliance with such agreements.

10.7.6 Ownership of Amounts. Franchisee acknowledges and agrees that: (i) all amounts set forth in Section 10.7.2 of this Agreement and otherwise are BluTaco's sole and exclusive property until BluTaco has actually paid the rebate related to such amounts to Franchisee; and (ii) if Franchisee is not entitled to a rebate pursuant to Section 10.7.5 or otherwise, all amounts related to such rebate will remain BluTaco's sole and exclusive property and Franchisee will not have any rights to them.

10.7.7 BluTaco's Rights. BluTaco reserves the right: (i) to add to, delete from, and modify the rebate percentage detailed in Section 10.7.2; and (ii) to discontinue the VIR Program, at any time, on notice to Franchisee, all as BluTaco deems appropriate in its sole discretion. If BluTaco discontinues the VIR Program, BluTaco will pay Franchisee the amount of the rebate Franchisee earned through the date BluTaco discontinues the VIR Program as set forth in this Section 10.7 of this Agreement.

11. **PROPRIETARY MARKS**

11.1 Goodwill in Marks; Ownership of Marks.

11.1.1 Franchisee acknowledges and agrees that: (i) there is substantial and valuable goodwill in the Marks; (ii) the substantial and valuable goodwill in the Marks imposes significant responsibilities on Franchisee to comply with BluTaco's rules, guidelines, standards, specifications, plans, programs, and procedures; (iii) as between Franchisee and BluTaco, BluTaco owns all right, title, and interest in and to the Marks and all goodwill related to the Marks; and (iv) Franchisee has no right, title, or interest of any nature or kind in or to the System, including without limitation the Marks and the goodwill associated with the Marks, except the limited, revocable, non-exclusive license to use the System as set forth in this Agreement.

11.1.2 Franchisee covenants, warrants, represents, and agrees that: (i) Franchisee's use of the Marks, and all goodwill related to such use, will inure solely to the benefit of BluTaco; (ii) Franchisee's use of the Marks will not inure to the benefit of any person or other entity except BluTaco; (iii) the goodwill related to Franchisee's use of the Marks will not inure to the benefit of any person or other entity except BluTaco; and (iv) neither Franchisee nor any of Franchisee's Principal(s) or affiliates will contest the validity of the Marks, BluTaco's ownership of the Marks, or BluTaco's ownership of the goodwill related to the Marks, at any time during or after the Term of the Franchise.

11.2 Franchisee's Use of Marks. Franchisee covenants, warrants, represents, and agrees that: (i) Franchisee will use and display the Marks only in relation to the operation of the Restaurant; (ii) Franchisee will use and display the Marks only in the form, manner, and locations that BluTaco specifically approves or directs; and (iii) Franchisee will apply the "®" symbol to all registered Marks, the appropriate "TM" or "SM" symbol to all non-registered Marks, and the "©" symbol to all copyrighted material.

11.3 Restrictions on Franchisee's Use of Marks. Franchisee covenants, warrants, represents, and agrees that unless BluTaco expressly authorizes Franchisee to do so in writing, Franchisee will not: (i) use or display the Marks in relation to any business or activity other than the operation of the Restaurant; (ii) use any trademark, trade name, service mark, logotype, other commercial symbol, or trade dress, other than the Marks, as a primary identifier of the Restaurant; (iii) offer for sale or sell the Products and Services, or any other products, equipment, services, supplies, or merchandise, under the Marks, except as set forth in this Agreement; (iv) use or display the Marks except in the form, manner, and locations that BluTaco specifically approves or directs; (v) use or register any Mark, any part of any Mark, or anything similar, as part of Franchisee's name or the name of any entity related to Franchisee's activities, except for the fictitious name registration required under Section 14.1 of this Agreement; (vi) use or register any Mark, any part of any Mark, or anything similar, as a part of any Internet domain name, social media site name, user name, or like name; (vii) use any Mark in any manner that may injure or disparage BluTaco or BluTaco's reputation; or (viii) take any action that may harm or jeopardize any Mark, or BluTaco's ownership of such Mark, in any way.

11.4 Defense of Marks; Indemnification.

11.4.1 BluTaco will defend the Marks and will bear all costs of such defense. Franchisee will notify BluTaco promptly in writing of any potentially infringing uses by others, and of any suits or claims against Franchisee, related to the Marks, and will cooperate fully with BluTaco in the defense of the Marks. If Franchisee has provided the notice and cooperation this Section 11.4 requires, BluTaco will indemnify Franchisee against, and will reimburse Franchisee for, all direct damages (but not for loss of future revenue and consequential, special, multiplied, enhanced, exemplary, or punitive damages) and expenses Franchisee incurs due to any unfair competition or infringement claim any third party brings against Franchisee that arises out of Franchisee's proper use of the Marks. BluTaco will have sole discretion over the protection and defense of any Mark and the settlement of any claim related to any Mark. Franchisee will take no action with regard to such protection or defense, and will not commence any suit or proceeding related to the System, without BluTaco's prior express written consent.

11.4.2 Franchisee will notify BluTaco of any use of, or any claim of rights to, any mark identical to, or confusingly similar to, any Mark.

11.5 Modifications to Marks. BluTaco may at any time, on notice to Franchisee, make additions to, deletions from, and modifications to the Marks, at BluTaco's absolute discretion, and Franchisee must adopt and use any and all such additions, deletions, and modifications pursuant to BluTaco's direction, at Franchisee's sole cost and expense.

11.6 Signage Reimbursement. Notwithstanding anything set forth in Section 11.5 of this Agreement to the contrary, BluTaco will not change the primary name of the System from "BluTaco" or require Franchisee to change Franchisee's approved BluTaco signage to some other primary name for a period of two (2) years after the Effective Date of this Agreement unless BluTaco reimburses Franchisee for the cost of converting Franchisee's approved BluTaco signage to signage using such other primary name. If BluTaco is required to reimburse Franchisee for a signage change pursuant to this Section 11.6, BluTaco will reimburse Franchisee for the actual cost to obtain replacement signage from signage suppliers BluTaco designates; provided, however, such reimbursement will be limited to: (i) Eight Thousand and No/100 Dollars ($8,000) per Restaurant; and (ii) Twenty-Four Thousand and No/100 Dollars ($24,000) in the aggregate (the "Signage Reimbursement").

11.7 No Liability for Modifications to Marks. BluTaco shall not be liable to Franchisee or any other party for any loss, expense, liability, damage, or damages, however characterized, and whether actual, consequential, incidental, special, multiplied, enhanced, exemplary, punitive, or otherwise, for any such additions to, deletions from, or modifications to the Marks; including, without limitation, loss of profits, earnings, revenue, business, or expectancies, except for the Signage Reimbursement.

12. CONFIDENTIAL OPERATIONS MANUAL

12.1 Operations Manual. BluTaco will provide Franchisee, on loan, with one copy of BluTaco's Operations Manual.

12.2 Compliance. Franchisee will comply with all rules, guidelines, standards, specifications, plans, programs, and procedures BluTaco prescribes in the Operations Manual.

12.3 Supplements to the Manual. BluTaco may add to, delete from, and modify the Operations Manual (such additions, deletions, and modifications being referred to collectively in this Agreement as the "Supplements to the Manual"). Franchisee acknowledges and agrees that: (i) all such Supplements to the Manual will be deemed, for all purposes, to be a part of the Operations Manual; (ii) all such Supplements to the Manual will become binding on Franchisee on delivery to Franchisee or at such later date as BluTaco may designate in order to give Franchisee the advance notice BluTaco deems necessary to implement the change; and (iii) Franchisee will comply with, by such date as BluTaco may specify, which may be immediately, all rules, guidelines, standards, specifications, plans, programs, and procedures BluTaco prescribes in the Supplements to the Manual.

12.4 Presentation of Operations Manual: Media. BluTaco may deliver the Operations Manual, including without limitation the Supplements to the Manual, in any medium BluTaco deems appropriate, including without limitation: (i) online; (ii) in CD-ROM or similar electronic medium; (iii) by paper copy; or (iv) otherwise. BluTaco may change such medium as BluTaco deems appropriate.

12.5 Ownership of System and Operations Manual. Franchisee acknowledges and agrees that: (i) BluTaco owns the System, including without limitation the Operations Manual, and all proprietary matters contained in or related to it; and (ii) the Operations Manual will at all times remain BluTaco's sole and exclusive property.

12.6 Master Copy of Operations Manual. Franchisee covenants, warrants, represents, and agrees that: (i) Franchisee will ensure at all times that Franchisee's copy of the Operations Manual is current and up-to-date; and (ii) if there is any dispute as to Franchisee's compliance with the provisions of the Operations Manual, the master copy of the Operations Manual that BluTaco maintains will control.

13. BLUTACO'S RESPONSIBILITIES

13.1 Initial Training Fee.

13.1.1 Amount of Initial Training Fee. Franchisee will pay BluTaco an initial training fee (the "Initial Training Fee"). The amount of the Initial Training Fee will be an amount within the range set forth in the Franchise Summary of this Agreement. The amount of the Initial Training Fee will depend on the size of Franchisee's Restaurant, the location of Franchisee's Restaurant, Franchisee's experience as a restaurant operator, the number of other restaurants Franchisee operates under the System, the number of restaurants Franchisee operates under other systems BluTaco or BluTaco's affiliates may develop, the number of Franchisee's personnel to be trained, the experience of Franchisee's personnel to be trained, food and lodging expenses in the area where Franchisee's Restaurant is located, travel expenses, and other factors.

13.1.2 Determination of Amount. BluTaco will confer with Franchisee in good faith to come to an agreement about the amount of the Initial Training Fee. If Franchisee and BluTaco cannot agree on the amount of the Initial Training Fee, BluTaco's decisions will control.

13.1.3 Payment of Initial Training Fee. Franchisee will pay BluTaco the Initial Training Fee before Franchisee commences training. The Initial Training Fee, once paid, shall be deemed fully-earned and nonrefundable, in consideration of the administrative and other expenses BluTaco incurs in connection with scheduling and coordinating Franchisee's training, BluTaco's lost or deferred opportunity to train others, and other factors.

13.2 Principal Training, Manager Training. BluTaco will provide Franchisee with BluTaco's training for Principal(s) (the "Principal Training") and Managers (the "Manager Training"). BluTaco's fees for Principal Training and Manager Training are included in the Initial Training Fee.

13.2.1 Franchisee will appoint one or more proposed Managers (as defined in Section 1.9 of this Agreement).

13.2.2 Franchisee or at least one Principal (if Franchisee is a business entity), and such other individuals in employment capacities as BluTaco may specify, must attend and complete the Principal Training to BluTaco's satisfaction.

13.2.3 At least one of Franchisee's Managers, and such other individuals in employment capacities as BluTaco may specify, must attend and complete the Manager Training to BluTaco's satisfaction.

13.2.4 The Principal Training and Manager Training will include such training as BluTaco deems necessary or beneficial to Franchisee's operation of the Restaurant.

13.2.5 Franchisee may send a reasonable number of Principal(s) to Principal Training during the Term of this Agreement at no additional charge. Franchisee may send a reasonable number of Managers to Manager Training during the Term of this Agreement at no additional charge. If BluTaco determines that Franchisee is sending an unreasonable number of attendees, BluTaco may charge Franchisee a reasonable fee to train the additional attendees. BluTaco will list its current prices for Principal Training and Manager Training in the Operations Manual.

13.2.6 If the Restaurant is the first restaurant Franchisee develops, opens, or operates under the System:

13.2.6.1 At least one Principal must attend and complete the Principal Training to BluTaco's satisfaction: (i) by the end of one hundred twenty (120) days after the Effective Date of this Agreement; or (ii) before Franchisee opens the Restaurant, whichever is sooner.

13.2.6.2 At least one of Franchisee's Managers must attend and complete the Manager Training to BluTaco's satisfaction: (i) by the end of one hundred twenty (120) days after the Effective Date of this Agreement; or (ii) before Franchisee opens the Restaurant, whichever is sooner.

13.2.7 If Franchisee operates other restaurants under the System, Franchisee's personnel required to attend the initial Manager Training must attend and complete such training to BluTaco's satisfaction before Franchisee opens the Restaurant.

13.2.8 If BluTaco extends Franchisee's Opening Date as set forth in Section 8.2 of this Agreement or otherwise, BluTaco may require Managers who previously received Manager Training to attend and complete to BluTaco's satisfaction such additional training or refresher training as BluTaco may prescribe.

13.2.9 If Franchisee has six (6) or more Restaurants under the System, Franchisee must have an Area Director. Such Area Director will be responsible for planning, organizing, controlling, and staffing the management and operation of the Restaurants and such other duties as Franchisee may prescribe. If Franchisee's Area Director has not already successfully completed Manager Training, Franchisee's Area Director must attend and complete Manager Training to BluTaco's satisfaction before beginning his or her Area Director duties.

13.2.10 Franchisee and BluTaco expect turnover in, additions to, changes to, and replacement of Franchisee's personnel whom BluTaco requires to complete Principal Training and Manager Training. All of Franchisee's personnel required to attend Principal Training and Manager Training as a result of such additions, changes, and replacement must attend BluTaco's next regularly-scheduled Principal Training or Manager Training as BluTaco may require, and complete such training to BluTaco's satisfaction.

13.2.11 BluTaco may certify Franchisee's Restaurant as a training restaurant (a "Certified Training Restaurant"). To become a Certified Training Restaurant, Franchisee's Restaurant must meet the criteria BluTaco specifies. Once certified, such Certified Training Restaurant may train Franchisee's Managers, thus reducing Franchisee's costs and expenses related to training new management personnel. BluTaco may revoke the status of the Restaurant as Certified Training Restaurant if BluTaco determines that the Restaurant's operations are inconsistent with the requirements of a Certified Training Restaurant.

13.3 Opening Assistance.

13.3.1 Opening Coordinator. If the Restaurant is the first restaurant Franchisee develops, opens, or operates under the System, after at least one (1) Principal has successfully completed Principal Training and one (1) Manager has successfully completed Manager Training, BluTaco will furnish a representative (the "Opening Coordinator") to Franchisee's Restaurant for a period of at least two (2) days. Such Opening Coordinator will provide Franchisee with advice, including without limitation advice related to: (i) implementing internal controls; (ii) hiring employees; (iii) training employees; (iv) purchasing products, equipment, services, supplies, and merchandise; (v) following accounting procedures; (vi) implementing the System; (vii) evaluating Franchisee's initial business operations and marketing plans; and (viii) other matters. BluTaco's fee for such Opening Coordinator, including such Opening Coordinator's travel, food, lodging, and other costs and expenses, is included in the Initial Training Fee.

13.3.2 Opening Training Team: Franchisee's Initial Restaurant.

13.3.2.1 If the Restaurant is the first restaurant Franchisee develops, opens, or operates under the System, BluTaco will furnish Franchisee with an opening training team (the "Opening Training Team"). The Opening Training Team will work at Franchisee's initial Restaurant immediately before and after the opening of the Restaurant, for a period of at least two (2) days. BluTaco will determine the size of the Opening Training Team, based on: (i) the size of Franchisee's Restaurant; (ii) the location of Franchisee's Restaurant; (iii) Franchisee's experience as a restaurant operator; (iv) the number of restaurants Franchisee operates under other systems BluTaco or BluTaco's affiliates may develop; and (v) other factors. BluTaco will be responsible for making all travel, food, and lodging arrangements of the Opening Training Team members. BluTaco's fee for the Opening Training Team, including such Opening Training Team's travel, food, lodging, wage, benefit, and other costs and expenses, is included in the Initial Training Fee.

13.3.2.2 Franchisee will staff the Restaurant with its employees to train with, and to assist, the Opening Training Team.. Notwithstanding anything set forth in Section 13.3.2.1 of this Agreement to the contrary, the travel, food, lodging, wage, benefit, and other costs and expenses BluTaco incurs because Franchisee did not provide the employees BluTaco requires are not included in the Initial Training Fee, and will be in addition to the amount of the Initial Training Fee. Franchisee will reimburse BluTaco the amount of such travel, food, lodging, wage, benefit, and other costs and expenses so that BluTaco actually receives such reimbursement by the end of ten (10) days after BluTaco's request for reimbursement.

13.3.3 Opening Training Team: Franchisee's Second or Subsequent Restaurant. If the Restaurant is the second or subsequent Restaurant Franchisee develops, opens, or operates under the System, BluTaco may provide Franchisee with limited training team assistance, and Franchisee's other restaurants will supply the majority of the training assistance.

13.4 Additional Training. BluTaco may develop additional training that BluTaco believes would benefit the System (the "Additional Training"). If BluTaco develops such Additional Training, BluTaco may designate such training as "optional" or "mandatory." If BluTaco designates such Additional Training as mandatory, Franchisee and such Principal(s), Managers, and other personnel BluTaco specifies must attend and complete such training to BluTaco's satisfaction, at the times BluTaco specifies. BluTaco reserves the right to charge a reasonable fee for such Additional Training; provided, however, such fee will not exceed BluTaco's costs of developing and conducting the Additional Training, including BluTaco's costs related to attending such training. The fee for Additional Training is not included in the Initial Training Fee, and will be in addition to the amount of the Initial Training Fee.

13.5 Conventions. BluTaco may, at its option, conduct an annual conference or convention (a "Convention"). BluTaco may combine the Convention for the System with conventions of other systems BluTaco or BluTaco's affiliates may develop. BluTaco reserves the right to charge a reasonable fee for staging such Convention; provided, however, such fee will not exceed BluTaco's costs of developing and conducting the Convention, including BluTaco's costs related to attending such Convention.

13.6 GRITT Summit and Franchise Advisory Meeting. BluTaco may require Franchisee to attend an annual GRITT Summit and Franchise Advisory Meeting, which may be provided through a parent, affiliate or other third-party. The GRITT Summit and Franchise Advisory Meeting may be held with franchisees of BluTaco's affiliated companies. Franchisee shall be required to pay the costs of any registration fees associated with the GRITT Summit or Fanchise Advisory Meeting, which Franchisee acknowledges and agrees may, at BluTaco's option, be paid directly to BluTaco's parent, affiliate or other third party. Franchisee's Principal(s) or Manager(s) must attend and complete the GRITT Summit and Franchise Advisory Meeting. Franchisee further acknowledges that, as of the date of this Agreement, the GRITT Summit and Franchise Advisory Meeting are held simultaneously; however, this arrangement is subject to change in BluTaco's discretion.

13.7 Training and Conventions: Miscellaneous.

13.7.1 Franchisee will pay all expenses Franchisee and its designated attendees incur related to attending the Principal Training, Manager Training, Opening Training, any Additional Training, BluTaco's Convention, GRITT Summit, and Franchise Advisory Meeting; which expenses may include, but will not be limited to, travel, food, lodging, wage, benefit, and other costs and expenses.

13.7.2 Except for the Opening Assistance described in Section 13.3 of this Agreement, BluTaco will determine the location, duration, and program of any training BluTaco conducts, and the Convention.

13.7.3 BluTaco will not pay any compensation for any services Franchisee or Franchisee's attendees perform in the course of any training.

13.7.4 BluTaco reserves the right to train any number of attendees from any number of restaurants at any training BluTaco conducts, at the same time as BluTaco trains Franchisee's attendees.

13.7.5 BluTaco may train attendees from other systems BluTaco or its affiliates may develop, at the same time as BluTaco trains Franchisee's attendees.

13.8 Inability of Franchisee's Personnel to Complete Training.

13.8.1 If BluTaco determines that any Principal BluTaco requires to attend Principal Training or any other mandatory training BluTaco designates is unable to complete such training to BluTaco's satisfaction after two (2) attempts, Franchisee will designate another Principal to attend BluTaco's next regularly-scheduled training. If there is no other Principal, or if such replacement Principal is unable to complete such training to BluTaco's satisfaction after two (2) attempts, BluTaco will have the right to terminate this Agreement pursuant to Section 20.4.5 of this Agreement.

13.8.2 Subject to Franchisee's rights with respect to a Principal set forth in Section 13.8.1 of this Agreement, if BluTaco determines that any person, other than a Principal, whom BluTaco requires to attend Manager Training, mandatory Additional Training, or any other mandatory training BluTaco designates, is unable to complete such training to BluTaco's satisfaction, Franchisee will not hire or continue the employment of such person in any capacity that requires such person to complete such training to BluTaco's satisfaction.

13.9 Consultation. BluTaco will make available to Franchisee such consultation (the "Consultation") as BluTaco deems appropriate. Such Consultation may include, without limitation, specialized advice related to the operation of the Restaurant, on-site reviews of Franchisee's operations, the furnishing of supplemental training or retraining as needed for Franchisee's Managers and other personnel, and such other assistance as Franchisee may request. BluTaco may charge a reasonable fee for such Consultation. Franchisee and BluTaco will agree on the fee for such Consultation before BluTaco delivers such Consultation.

13.10 Continuing Assistance. BluTaco will make available to Franchisee, at no additional charge: (i) subject to the availability of BluTaco's personnel, at times BluTaco determines, with reasonable periodic or continuing individual or group assistance and consultation, including consultation regarding development of products and services Franchisee will offer; hiring and training employees; improving and developing the Restaurant; establishing and using administrative, bookkeeping, accounting, and inventory control procedures; resolving operating problems Franchisee may encounter; and other data and advice, which BluTaco may provide by personal visit, telephone, newsletter, bulletin, electronic media, or otherwise, as BluTaco deems appropriate; and (ii) with such bulletins, brochures, and reports as BluTaco may from time to time publish regarding BluTaco's plans, policies, marketing research, testing, developments, and activities (collectively, the "Assistance").

13.11 Test Marketing. BluTaco may from time to time conduct market research and testing to determine consumer trends and the marketability of new products, equipment, services, supplies, and merchandise (collectively, the "Test Products"). Franchisee will assist BluTaco with such market research and testing by participating in any such programs as BluTaco may require, at Franchisee's sole cost and expense. Such assistance may include, without limitation: (i) test-marketing Test Products through the Restaurant as BluTaco may direct; (ii) providing BluTaco with timely reports and other relevant information BluTaco may request regarding such test-marketing; and (iii) effectively promoting and making reasonable efforts to sell such Test Products.

13.12 Pricing. BluTaco may offer Franchisee guidance related to prices for the Products and Services. BluTaco reserves the right to prescribe prices Franchisee may charge, to the extent permitted by Law.

14. FRANCHISEE'S RESPONSIBILITIES

14.1 Fictitious Name. There are two types of company names: (i) the company's "fictitious" name (the "d/b/a" name; e.g., "BluTaco of [Franchisee's Community]"); and (ii) the company's legal name (e.g., "ABC Corp.").

14.1.1 Franchisee will file for and maintain a Certificate of Fictitious Name under the name "BluTaco of [Franchisee's Community]" as required by the jurisdiction where Franchisee's Territory is located. Franchisee will operate Franchisee's Restaurant using such fictitious name as its principal name. Franchisee will, at Franchisee's sole cost and expense, file all materials and procure all governmental approvals, permits, and registrations required to do business under such fictitious name.

14.1.2 Except as otherwise set forth in Section 14.1.1 of this Agreement, if Franchisee is a business entity, Franchisee will not use the Marks, or any words or symbols confusingly similar thereto, including without limitation "BluTaco," or any other words that are all or a part of the Marks, in Franchisee's legal name.

14.2 Maintenance of Approved Location and Restaurant. Franchisee will, at all times during the Term, at Franchisee's sole cost and expense, maintain Franchisee's Approved Location, Franchisee's Restaurant, and all of Franchisee's furniture, fixtures, equipment, décor, and signage related to the Franchised Business, and such of Franchisee's other items as BluTaco may specify, in the highest state of cleanliness, maintenance, condition, and repair.

14.3 Compliance with Laws. Franchisee will develop, open, and operate the Franchised Business in compliance with all Laws. In connection therewith, Franchisee will: (i) duly file all tax returns Franchisee is required to file; (ii) duly pay all taxes Franchisee is obligated to pay; and (iii) obtain and maintain in good standing all necessary licenses, permits, and other required forms of governmental approval required in order to operate the Franchised Business.

14.4 Patriot Act Certification. Franchisee hereby covenants, warrants, represents, agrees, and certifies to BluTaco that neither Franchisee nor any of Franchisee's affiliates, nor any of Franchisee's or such affiliates' directors, officers, shareholders, partners, members, employees, or agents, nor any other direct or indirect holders of any interest in any of the foregoing: (i) are or have been listed on any Government Lists (as defined in Section 14.4.1 of this Agreement); (ii) are or have been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001), or any other similar prohibitions contained in the rules and regulations of OFAC (as defined in Section 14.4.2 of this Agreement) or in any enabling legislation or other Presidential Executive Orders in respect thereof; or (iii) have been indicted for or convicted of any offenses under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended (the "USA Patriot Act"). As used in this Section 14.4, the following definitions shall apply:

14.4.1 "Government Lists" shall mean any of the following lists: (i) the "Specially Designated Nationals and Blocked Persons List" maintained by OFAC; (ii) any other list of terrorists, terrorist organizations, or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC; or (iii) any similar list maintained by the United States Department of State, the United States Department of Commerce, or any other governmental authority, or pursuant to any Executive Order of the President of the United States of America.

14.4.2 "OFAC" shall mean the Office of Foreign Assets Control, United States Department of the Treasury, or any successor office or agency.

14.5 Managers; Franchisee's Participation in Operation of Franchised Business.

14.5.1 Franchisee will cause each individual whom Franchisee desires to employ as Manager to undergo such background investigations, aptitude screenings, drug tests, and other screenings and tests as BluTaco may prescribe, at Franchisee's sole cost and expense. Franchisee will not employ any individual as Manager who has not passed such investigations, screenings, and tests, or who does not satisfy such other criteria as BluTaco may prescribe. Franchisee acknowledges and agrees that: (i) any investigations, screenings, and tests BluTaco prescribes are intended solely to ensure that BluTaco's interests are adequately protected; (ii) BluTaco is not requiring such investigations, screenings, and tests for Franchisee's benefit; (iii) such investigations, screenings, and tests will not replace Franchisee's due diligence investigations as to any individual Franchisee desires to employ; and (iv) BluTaco will have no responsibility or liability to Franchisee, to the proposed Manager, or to any other person or entity, arising out of or related to such investigations, screenings, and tests.

14.5.2 Each Manager will: (i) devote his or her full time and best efforts to the management and growth of the Franchised Business; (ii) have day-to-day management responsibility for the Restaurant; and (iii) personally participate in the direct operation of the Restaurant.

14.5.3 If Franchisee is an individual, Franchisee may serve as Manager and Franchisee may employ one or more other Managers. If Franchisee is a business entity, Franchisee will employ one or more Managers.

14.5.4 Each Manager Franchisee employs must successfully complete the training BluTaco requires, as set forth in Section 13.2 and Section 13.4 of this Agreement.

14.5.5 Franchisee will inform BluTaco in writing as to the identity of all Managers, including all additions to and successors of them or any of them.

14.5.6 If a Manager dies or becomes disabled, or on the termination of employment of a Manager for any reason, Franchisee will immediately notify BluTaco of such death, disability, or termination.

14.5.7 Franchisee will have a Manager who has successfully completed BluTaco's Manager Training physically present at Franchisee's Restaurant at all times the Restaurant is open for business.

14.6 Requirements Related to Operation of Franchised Business. Franchisee covenants, warrants, represents, and agrees that:

14.6.1 Franchisee will cause all operations of the Franchised Business to be conducted, and Franchisee will conduct itself, at all times, in compliance with the System, including without limitation all rules, guidelines, standards, specifications, plans, programs, and procedures BluTaco may from time to time establish, in the Operations Manual and otherwise, as though all such rules, guidelines, standards, specifications, plans, programs, and procedures were specifically set forth in this Agreement.

14.6.2 Franchisee will not develop, open, or operate any business other than the Franchised Business. Franchisee will confine its activities solely and exclusively to the development, opening, and operation of the Franchised Business. Franchisee will confine the operation of the Franchised Business solely and exclusively to the development, opening, and operation of Franchisee's BluTaco Restaurants.

14.6.3 Franchisee will not use the "BluTaco" name, the other Marks, or any association with any or all of them, for the benefit of any business other than the Franchised Business.

14.6.4 Franchisee will offer for sale and sell all Products and Services that BluTaco directs Franchisee to offer for sale and sell. Franchisee will not offer for sale or sell any products, equipment, services, supplies, or merchandise that: (i) BluTaco has not authorized Franchisee to offer for sale or sell; or (ii) BluTaco has directed Franchisee not to offer for sale or sell.

14.6.5 Franchisee will keep the Restaurant open for business and in normal operation during the days and hours BluTaco specifies (the "Minimum Days and Hours of Operation"). BluTaco may add to, delete from, and modify such Minimum Days and Hours of Operation from time to time on notice to Franchisee. All such Minimum Days and Hours of Operation are subject to Laws to the contrary.

14.6.6 Franchisee will: (i) deal fairly and honestly with BluTaco; (ii) deal fairly and honestly with BluTaco's affiliates; (iii) deal fairly and honestly with all guests; (iv) deal fairly and honestly with all suppliers and vendors; (v) render prompt, courteous, and willing service; (vi) meet the minimum standards of business ethics adopted by the local chapter of the Better Business Bureau, or a similar organization acceptable to BluTaco, operating in Franchisee's Territory; (vii) notify BluTaco promptly of any complaint filed against Franchisee with the Better Business Bureau or such other organization, and will use Franchisee's best efforts to resolve the complaint promptly to BluTaco's reasonable satisfaction; and (viii) conduct itself and operate the Franchised Business in a manner that will promote a good public image, and will, consistent with the foregoing, properly respond to all complaints and take such other steps as may be necessary or beneficial to promote positive public relations.

14.6.7 Franchisee will pay promptly when due all amounts Franchisee owes BluTaco and BluTaco's affiliates.

14.6.8 Franchisee will pay promptly when due all amounts Franchisee owes all suppliers and vendors.

14.6.9 Franchisee will pay promptly when due all taxes and other amounts Franchisee owes in relation to the Franchised Business, including without limitation all federal, state, and local taxes, and all accounts payable of any nature.

14.6.10 Franchisee will timely submit to BluTaco such reports, evaluations, and operational information as BluTaco may request, which reports, evaluations, and operational information may include, without limitation, evaluations of: (i) the Products and Services; (ii) BluTaco and BluTaco's affiliates; (iii) Franchisee and its affiliates; (iv) safety procedures; and (v) such other matters as BluTaco may designate.

14.6.11 Franchisee will employ such personnel as may be required for the optimal operation of the Franchised Business, and will train and properly supervise all such personnel.

14.6.12 Franchisee will stock the Restaurant with, and will maintain in the inventory of the Restaurant, such products, equipment, services, supplies, and merchandise as BluTaco may require.

14.7 Computer and Electronic Cash Register Systems. Franchisee will obtain and install, at Franchisee's sole cost and expense: (i) all computer and electronic cash register hardware and software BluTaco requires; and (ii) all peripherals, power lines, dedicated telephone lines, and communications links that meet BluTaco's specifications. Franchisee will use such computer system and software for interactive training, for accounting and bookkeeping, for scheduling, for Internet communication and email, for extranet programs, and as BluTaco may otherwise specify. Franchisee will use such electronic cash register system and software to record Franchisee's sales transactions, for accounting and bookkeeping, and as BluTaco may otherwise specify.

14.7.1 Franchisee will, at Franchisee's sole cost and expense: (i) execute the software license agreements required to be executed by the publishers or vendors of any software programs BluTaco requires Franchisee to use; (ii) at all times comply with the provisions of such software license agreements; and (iii) enter into such hardware and software maintenance and upgrading agreements as BluTaco may direct.

14.7.2 If BluTaco elects to substitute one or more software programs for any software BluTaco specifies, Franchisee will, by the end of thirty (30) days after notice from BluTaco, at Franchisee's sole cost and expense: (i) cease all use of the software being replaced; (ii) preserve all data from the software being replaced; (iii) obtain and install such substitute software on Franchisee's computer and electronic cash registers as BluTaco directs; (iv) import, to the substitute software, relevant data from the software being replaced; and (v) commence the use of such substitute software.

14.7.3 Franchisee will keep Franchisee's computer and electronic cash register systems in good maintenance and repair. BluTaco may require Franchisee: (i) to add additional capacity, accessories, and peripheral equipment to the computer and electronic cash register systems Franchisee is using; and (ii) to upgrade or replace any or all such computer and electronic cash register systems, at Franchisee's sole cost and expense.

14.7.4 Franchisee will enter into and maintain in Franchisee's computer and electronic cash register systems such data and information as BluTaco may prescribe. BluTaco will have the free, independent, and unfettered right to retrieve such data and information from Franchisee's computer and electronic cash register systems remotely or in-person; and Franchisee will, immediately on BluTaco's request, provide BluTaco with all assistance BluTaco may request to obtain such access. Franchisee will promptly provide BluTaco with such assistance as BluTaco may request to bring Franchisee's computer and electronic cash register systems online with BluTaco's headquarters computer. The computer and electronic cash register hardware and software Franchisee obtains and installs must permit BluTaco to obtain sales and other information from Franchisee's computer and electronic cash register systems as BluTaco may require, automatically on BluTaco's request.

14.8 Franchise Summary of this Agreement. Franchisee covenants, warrants, represents, and agrees that it has reviewed the information set forth in the Franchise Summary of this Agreement and all information set forth in such Franchise Summary is true, accurate, and complete.

14.9 Schedule A to this Agreement. Franchisee covenants, warrants, represents, and agrees that: (i) it has reviewed the information set forth on Schedule A to this Agreement; (ii) its Principals as of the Effective Date of this Agreement are correctly set forth on Schedule A; (iii) the percentage of equity each Principal owns and holds is correctly set forth on Schedule A; and (iv) all other information set forth on Schedule A is true, accurate, and complete.

14.10 Spousal Guaranty.

14.10.1 Franchisee and Principal(s) covenants, warrants, represents, and agrees that it will cause each spouse of each Principal, and each successor to any or all of them, to execute and deliver the Spousal Guaranty attached to this Agreement as Schedule C.

14.11 Telephone Numbers and Listings Agreement. When Franchisee signs this Agreement, Franchisee will execute and deliver to BluTaco the Telephone Numbers and Listings Agreement attached to this Agreement as Schedule G. Franchisee will comply with such Telephone Numbers and Listings Agreement. The Telephone Numbers and Listings Agreement is hereby incorporated into this Agreement as if fully set forth herein.

14.12 Internet Websites and Listings Agreement. When Franchisee signs this Agreement, Franchisee will execute and deliver to BluTaco the Internet Websites and Listings Agreement attached to this Agreement as Schedule H. Franchisee will comply with such Internet Websites and Listings Agreement. The Internet Websites and Listings Agreement is hereby incorporated into this Agreement as if fully set forth herein.

15. CONFIDENTIALITY AGREEMENTS; COVENANTS NOT TO COMPETE

15.1 Confidentiality Agreements.

15.1.1 Execution of Confidentiality Agreement by Franchisee. BluTaco's form of confidentiality agreement for franchisees (the "Confidentiality Agreement") is attached to this Agreement as Schedule E. Franchisee will deliver an original of such Confidentiality Agreement, executed by Franchisee, contemporaneously with its delivery of an executed original of this Agreement, to BluTaco. Franchisee will comply with the Confidentiality Agreement. The Confidentiality Agreement is hereby incorporated into this Agreement as if fully set forth herein.

15.1.2 Execution of Individual Confidentiality Agreement by Obligors. BluTaco's form of confidentiality agreement for individuals (the "Individual Confidentiality Agreement") is attached to the Confidentiality Agreement as Schedule D. Franchisee will, without BluTaco's request, cause each Obligor to execute the Individual Confidentiality Agreement, to provide the date and such party's address as required by such Individual Confidentiality Agreement, and to deliver a fully-executed, dated original of such Individual Confidentiality Agreement to BluTaco, prior to and as a condition precedent to granting such person access to the Confidential Information or Trade Secrets. Franchisee will cause each Obligor to comply with such Obligor's Individual Confidentiality Agreement.

15.1.3 Injunctive Relief. Franchisee, for itself and all Obligors, agrees that any failure to comply with this Section 15.1, the Confidentiality Agreement, or any Individual Confidentiality Agreement, will cause BluTaco irreparable harm for which BluTaco has no adequate remedy at law. Therefore, Franchisee, for itself and all Obligors, agrees that BluTaco will have the right to injunctive relief, including without limitation a decree for specific performance, to compel Franchisee's compliance with this Section 15.1 and the Confidentiality Agreement, and to compel the compliance of all Obligors with this Section 15.1 and the Individual Confidentiality Agreement, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security. Franchisee covenants, warrants, represents, and agrees that Franchisee has the authority to bind itself and the Obligors to this Section 15.1.3 of this Agreement. Franchisee acknowledges and agrees that BluTaco is relying on such covenant, warranty, representation, and agreement to BluTaco's detriment.

15.2 Covenants Not to Compete.

15.2.1 Execution of Covenant Not to Compete by Franchisee. BluTaco's form of covenant not to compete for franchisees (the "Covenant Not to Compete") is attached to this Agreement as Schedule F. Franchisee will deliver an original of such Covenant Not to Compete, executed by Franchisee, contemporaneously with its delivery of an executed original of this Agreement, to BluTaco. Franchisee will comply with the Covenant Not to Compete. The Covenant Not to Compete is hereby incorporated into this Agreement as if fully set forth herein.

15.2.2 Execution of Individual Covenant Not to Compete by Covenanting Personnel. BluTaco's form of covenant not to compete for individuals (the "Individual Covenant Not to Compete") is attached to the Covenant Not to Compete as Schedule E. Franchisee will, without BluTaco's request, cause each of the Covenanting Personnel to execute the Individual Covenant Not to Compete, to provide the date and such party's address as required by such Individual Covenant Not to Compete, and to deliver a fully-executed, dated original of such Individual Covenant Not to Compete to BluTaco, prior to and as a condition precedent to such person coming within the scope of persons defined as "Covenanting Personnel." Franchisee will cause each of the Covenanting Personnel to comply with such Covenanting Personnel's Individual Covenant Not to Compete.

15.2.3 Injunctive Relief. Franchisee, for itself and all Covenanting Personnel, agrees that any failure to comply with this Section 15.2, the Covenant Not to Compete or any Individual Covenant Not to Compete, will cause BluTaco irreparable harm for which BluTaco has no adequate remedy at law. Therefore, Franchisee, for itself and all Covenanting Personnel, agrees that BluTaco will have the right to injunctive relief, including without limitation a decree for specific performance, to compel Franchisee's compliance with this Section 15.2 and the Covenant Not to Compete, and to compel the compliance of all Covenanting Personnel with this Section 15.2 and the Individual Covenant Not to Compete, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security. Franchisee covenants, warrants, represents, and agrees that Franchisee has the authority to bind itself and the Covenanting Personnel to this Section 15.2.3 of this Agreement. Franchisee acknowledges and agrees that BluTaco is relying on such covenant, warranty, representation, and agreement to BluTaco's detriment.

16. FINANCIAL STATEMENTS AND REPORTS; AUDIT; INSPECTION

16.1 Financial Statements and Reports.

16.1.1 Gross Sales Report. Franchisee will prepare a report (the "Gross Sales Report"). The Gross Sales Report will set forth Franchisee's Gross Sales and such other information as BluTaco may specify, for the preceding Accounting Period or such other period as BluTaco may specify. Franchisee will prepare such Gross Sales Report in accordance with generally accepted accounting principles, consistently applied. Franchisee will deliver each Gross Sales Report to BluTaco so that BluTaco actually receives it by the end of the date BluTaco specifies.

16.1.2 Annual Report. Franchisee will prepare, each year, an annual report (the "Annual Report"). The Annual Report will set forth: (i) Franchisee's total Gross Sales, by categories of food, beverages, merchandise, miscellaneous items, and other categories BluTaco may specify, for BluTaco's immediately-preceding fiscal year or such other period as BluTaco may specify; (ii) the total amounts Franchisee was obligated to pay BluTaco for such fiscal year; and (iii) such other information as BluTaco may specify. Franchisee will prepare such Annual Report in accordance with generally accepted accounting principles, consistently applied. Franchisee will deliver each Annual Report to BluTaco so that BluTaco actually receives it by the end of February 1 of each year or such other date as BluTaco may specify.

16.1.3 Annual Financial Statements. Franchisee will deliver to BluTaco, by the end of ninety (90) days after the end of each of Franchisee's fiscal years, for such fiscal year and Franchisee's preceding two (2) fiscal years (or such shorter period as Franchisee has actually been in existence), in comparison form: (i) Franchisee's balance sheet; (ii) Franchisee's statement of shareholders', members', partners', or other equityholders' equity; (iii) Franchisee's profit and loss statement; and (iv) Franchisee's statement of cash flows (collectively, the "Annual Financial Statements").

16.1.3.1 Franchisee will prepare such Annual Financial Statements in accordance with generally accepted accounting principles, consistently applied, including all disclosures required by such generally accepted accounting principles.

16.1.3.2 BluTaco may require Franchisee's Annual Financial Statements, books, and records to be audited by an independent certified public accountant satisfactory to BluTaco, at Franchisee's sole cost and expense; provided, however, BluTaco will not do so unless: (i) Franchisee has failed to timely pay any sums Franchisee owed during the preceding twelve (12) consecutive month period; (ii) BluTaco has reasonable grounds to doubt the accuracy of any Gross Sales Report, Annual Report, Annual Financial Statement, or Local Advertising Report (as defined in Section 16.1.4 of this Agreement); (iii) BluTaco has reasonable grounds to doubt Franchisee's solvency or ability to continue as a going concern; (iv) an inspection BluTaco conducts discloses an understatement in any payment owed to BluTaco of four percent (4%) or more; or (v) BluTaco imposes a requirement of audited financial statements on substantially all franchised businesses in the System.

16.1.4 Local Advertising Report. Franchisee will deliver to BluTaco, by the end of thirty (30) days after the end of each calendar quarter, or more frequently if BluTaco requires Franchisee to do so, a report (the "Local Advertising Report"), on forms BluTaco prescribes, detailing the amount Franchisee was obligated to spend to fulfill the Local Advertising Requirement (as defined in Section 9.2 of this Agreement) and demonstrating that Franchisee in fact fulfilled the Local Advertising Requirement.

16.1.5 Additional Reports, Documents, and Data. BluTaco may request that Franchisee provide BluTaco with reports, documents, and data related to the Franchised Business. Such reports, documents, and data shall be in addition to the Gross Sales Report, Annual Report, Annual Financial Statements, and Local Advertising Report. If BluTaco requests such reports, documents, and data, Franchisee will deliver the items requested so that BluTaco actually receives such items by the end of ten (10) days after BluTaco's request therefor.

16.2 Tax Returns. Franchisee will provide BluTaco with copies of all federal, state, local, and other tax returns related to the Franchised Business, so that BluTaco actually receives such copies by the end of ten (10) days after Franchisee is required by Law to file such returns.

16.3 Authorization to Use and Publish Information. Franchisee hereby authorizes BluTaco to incorporate: (i) in BluTaco's franchise disclosure documents; (ii) in bulletins, reports, and other memoranda, including without limitation reports of the gross sales of each franchisee in the System, all of which may be distributed to BluTaco's personnel, to BluTaco's other franchisees, and to BluTaco's other franchisees' personnel; and (iii) in any advertising and promotional materials related to the System, information BluTaco derives from Franchisee's Gross Sales Report, Annual Report, Annual Financial Statements, Local Advertising Report, and other reports, documents, and data Franchisee is required to provide to BluTaco.

16.4 Financial Records and Audit.

16.4.1 Franchisee will properly record all revenues the Franchised Business receives or becomes entitled to receive. Franchisee will keep and maintain complete and accurate records of all such revenues, and accurate books, records, and tax returns, including related supporting material; which supporting material will include, without limitation, cash receipts and credit and charge records, for the Franchised Business for at least Franchisee's five (5) most recent years of operation (or such shorter period as Franchisee has actually been in existence). BluTaco may specify the forms that Franchisee must use to record such revenues. Franchisee will keep and preserve, for at least Franchisee's five (5) most recent years of operation, the types and classes of records BluTaco specifies, including all business, personnel, financial, and operating records related to the Franchised Business.

16.4.2 BluTaco and any of its authorized representatives may, at any time the Restaurant is required to be or is in fact open for business, without notice, enter onto the premises of the Restaurant or any other premises where Franchisee conducts or maintains any aspect of the Franchised Business, to inspect, audit, and make copies of all Franchisee's records and files related to the Franchised Business. Franchisee will provide BluTaco with: (i) immediate access to such premises; (ii) immediate access to such records, including without limitation records Franchisee keeps on paper; records Franchisee stores on any computer hard drive, computer floppy drive, CD-ROM, flash drive, cloud, or other electronic media; and (iii) immediate assistance in all matters BluTaco may request in the course of such inspection, audit, and copying.

16.5 Inspection and Operational Audit. BluTaco and any of its authorized representatives may, at any time the Restaurant is required to be or is in fact open for business, without notice, enter onto the premises of the Restaurant or any other premises where Franchisee conducts or maintains any aspect of the Franchised Business, to determine Franchisee's compliance with this Agreement. BluTaco and its representatives may examine, inspect, photograph, and videotape all aspects of the Franchised Business, which aspects may include, without limitation: (i) the Restaurant; (ii) the Products and Services and other products, equipment, services, supplies, and merchandise Franchisee offers for sale, sells, or delivers through the Franchised Business; (iii) Franchisee's techniques for offering for sale, selling, and delivering the Products and Services and other products, equipment, services, supplies, and merchandise; (iv) the condition of the Restaurant; and (v) such other matters as BluTaco or its authorized representatives may deem appropriate.

16.6 Certification. Franchisee will certify that the Gross Sales Report, Annual Report, Annual Financial Statements, Local Advertising Report, and other reports, documents, and data Franchisee is required to provide BluTaco, are true and correct, which certification will be signed by Franchisee if Franchisee is a proprietorship, by Franchisee's chief executive officer if Franchisee is a corporation, by Franchisee's managing partner if Franchisee is a partnership, or by Franchisee's manager or managing member if Franchisee is a limited liability company.

17. INDEMNIFICATION; INSURANCE POLICIES AND COVERAGES

17.1 Indemnification.

17.1.1 Franchisee's Indemnification Obligations. Franchisee will, at Franchisee's sole cost and expense, defend, indemnify, and hold harmless BluTaco and BluTaco's affiliates, and BluTaco's and such affiliates' directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the predecessors, successors, heirs, and assigns of any and all of them (collectively, the "Indemnitees"), from and against any and all obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages (actual, consequential, multiplied, enhanced, exemplary, punitive, and otherwise), expenses, costs, liability, and liabilities, of any nature or kind, including without limitation attorneys' fees and costs (collectively, the "Losses"), arising out of or related to any action, suit, proceeding, claim, demand, or investigation (collectively, the "Claims"), arising out of or related to: (i) this Agreement; (ii) the Restaurant; or (iii) the Franchised Business (such obligations being referred to, collectively, as Franchisee's "Indemnification Obligations").

17.1.2 Notice of Claims; Defense of Claims. Franchisee will give BluTaco notice of any Claim immediately on Franchisee's receiving notice of such Claim. Franchisee will respond to all Claims: (i) by the end of the time required by Law, if Law prescribes such a time; or (ii) promptly, if the Law does not prescribe such a time. BluTaco may, at Franchisee's sole cost, expense, and risk, assume the defense or settlement of any such Claim; provided, however, BluTaco will not be obligated to do so. Franchisee will cooperate with BluTaco in all respects to defend Franchisee and BluTaco against any and all Claims; which cooperation may require Franchisee, among other things, to appear at depositions, hearings, and trial. If BluTaco assumes the defense of any Claim, BluTaco will seek Franchisee's advice and counsel, and will keep Franchisee informed, with respect to any such defense or settlement. BluTaco's assumption of any defense, and BluTaco's entry into any settlement, will not diminish Franchisee's Indemnification Obligations, all of which Indemnification Obligations shall remain in full force and effect.

17.1.3 Payment. All Losses set forth in this Section 17.1 will be chargeable to and paid by Franchisee pursuant to Franchisee's Indemnification Obligations, regardless of any actions, activities, or defenses BluTaco may undertake or the subsequent success or failure of such actions, activities, or defenses.

17.1.4 <u>No Liability for Acts, Errors, or Omissions of Third Parties</u>. The Indemnitees shall not be liable or accountable in any manner whatsoever for acts, errors, or omissions of those with whom BluTaco or Franchisee may contract, regardless of the purpose. Franchisee will hold harmless and indemnify the Indemnitees for all losses and expenses arising out of or related to any acts, errors, or omissions of such third parties.

17.1.5 <u>No Obligation to Seek Recovery; No Mitigation of Losses</u>. The Indemnitees shall not be obligated to seek recovery from third parties, or to otherwise mitigate their Losses, in order to maintain a claim related to the Indemnification Obligations. Franchisee agrees that the failure to pursue such recovery or mitigate such Losses will in no way reduce the amounts the Indemnitees are entitled to recover.

17.2 <u>Insurance Policies and Coverages</u>.

17.2.1 BluTaco prescribes minimum standards for insurance policies and coverages Franchisee must obtain and maintain. BluTaco may add to, delete from, and modify such minimum standards from time to time, which additions, deletions, and modifications may include modifications to the policies Franchisee must maintain, the scope of coverage of each such policy, and the dollar amount of coverage provided under each such policy.

17.2.2 Franchisee will obtain and maintain, at Franchisee's sole cost and expense, the following categories of insurance policies and coverages, in forms and through insurance companies satisfactory to BluTaco:

17.2.2.1 Broad-form comprehensive general liability coverage, including coverage for products liability, contractual liability, personal injury, advertising injury, fire damage, other property damage, and medical expenses, having a combined single limit of One Million and No/100 Dollars ($1,000,000) per occurrence and Two Million and No/100 Dollars ($2,000,000) in the aggregate, which insurance shall not have a deductible or self-insured retention of greater than Ten Thousand and No/100 Dollars ($10,000). If Franchisee offers alcoholic beverages, such coverage shall include coverage for alcoholic beverage liability.

17.2.2.2 For each vehicle operated in connection with the Franchised Business, automobile liability coverage, including coverage of owned, non-owned, and hired vehicles, and including coverage for bodily injury and property damage, with a combined single limit of the greater of: (i) the amount required by Law; or (ii) One Million and No/100 Dollars ($1,000,000) per claim.

17.2.2.3 Workers' compensation and employer's liability insurance with minimum coverage of: (i) Five Hundred Thousand and No/100 Dollars ($500,000) per accident; and (ii) Five Hundred Thousand and No/100 Dollars ($500,000) disease per employee with a policy limit of Five Hundred Thousand and No/100 Dollars ($500,000) disease in the aggregate.

17.2.2.4 Umbrella liability coverage, providing excess liability coverage for the coverages set forth in Section 17.2.2.1, Section 17.2.2.2, and Section 17.2.2.3 of this Agreement, in the total amount of Two Million and No/100 Dollars ($2,000,000) per occurrence and in the aggregate.

17.2.2.5 Employment practices liability coverage for defense of claims brought by an employee or prospective employee, in the total amount of Fifty Thousand and No/100 Dollars ($50,000) per occurrence and in the aggregate, with a maximum deductible of Two Thousand Five Hundred and No/100 Dollars ($2,500).

17.2.2.6 Business interruption insurance for the actual loss sustained for eighteen (18) months.

17.2.2.7 Unemployment compensation insurance, disability insurance, social security, and other insurance required by Law, in such coverages as Law may require.

17.2.3 The insurance policies Franchisee obtains and maintains will:

17.2.3.1 Name BluTaco and the other Indemnitees as additional insureds and provide that the coverage afforded applies separately to each insured against whom a Claim is brought as though a separate policy had been issued to each such insured; provided, however, this Section 17.2.3.1 will not apply to the insurance required by Law set forth in Section 17.2.2.7 of this Agreement.

17.2.3.2 Contain no provisions that in any way limit or reduce coverage for Franchisee in the event of a Claim by any one or more of the Indemnitees.

17.2.3.3 Be primary to and without right of contribution from any insurance purchased by any or all of the Indemnitees.

17.2.3.4 Require the insurance carrier to provide BluTaco with at least thirty (30) days' prior written notice of any intent to: (i) reduce policy limits; (ii) restrict coverage; or (iii) cancel, amend, or otherwise modify any or all of such policies or coverages.

17.2.3.5 Require the insurance carrier to include a waiver of subrogation endorsement on all claims arising out of the policies set forth in Section 17.2.2.1, Section 17.2.2.2, and Section 17.2.2.3 of this Agreement.

17.2.4 Franchisee will not reduce policy limits, restrict coverage, or cancel, amend, or otherwise modify or allow to be modified any or all of such insurance policies or coverages without BluTaco's prior written consent.

17.3 No Representation Regarding Adequacy. The insurance policies and coverages BluTaco requires are BluTaco's minimum requirements for insurance. BluTaco does not represent that the insurance policies and coverages BluTaco requires will provide Franchisee with adequate coverage. Franchisee is solely responsible for determining the policies and coverages Franchisee may need to be properly insured; provided, however, such policies and coverages may not be less than BluTaco requires.

17.4 Certificates of Insurance; Certification by Franchisee's Insurance Agent.

17.4.1 Franchisee will provide BluTaco with Certificates of Insurance evidencing such coverages as BluTaco requires so that BluTaco actually receives such certificates by the end of ten (10) days before the Restaurant's Opening Date. Franchisee will renew all insurance policies, and on such renewal will furnish renewal Certificates of Insurance to BluTaco, before the expiration of the existing term of the applicable policy. Franchisee will forward to BluTaco such Certificates of Insurance, and full copies of any or all insurance policies Franchisee maintains, so that BluTaco actually receives such Certificates and policies by the end of ten (10) days after BluTaco's request for such Certificates and policies.

17.4.2 Franchisee will provide BluTaco with the names and contact information of all of Franchisee's insurance agents. Franchisee will arrange for Franchisee's insurance agents to provide BluTaco with such written certifications as BluTaco may require, certifying that Franchisee is in compliance with Franchisee's obligations set forth in Section 17.2 of this Agreement and otherwise.

18. TRANSFER; RIGHT OF FIRST REFUSAL

18.1 Transfer by BluTaco. BluTaco may assign any or all of its rights and may delegate any or all of its obligations under this Agreement. BluTaco will not be required to obtain Franchisee's consent in connection with any such assignment or delegation. Such assignment or delegation shall effect a complete novation of the rights assigned and the duties delegated, unless BluTaco specifies otherwise. Following the effective date of such assignment, Franchisee will deliver performance of all rights so assigned to the assignee, and not to BluTaco, unless BluTaco specifies otherwise. Following the effective date of such delegation, Franchisee will look solely to the delegatee, and not to BluTaco, for the performance of all obligations so delegated, unless BluTaco specifies otherwise. BluTaco may transfer, assign, or otherwise modify any or all of the ownership in BluTaco, and may engage in a public offering of debt or equity, without Franchisee's consent.

18.2 Transfer by Franchisee or Principals.

18.2.1 Franchisee acknowledges and agrees that: (i) this Agreement is a contract for the personal services of Franchisee and its Principal(s); and (ii) BluTaco has entered into this Agreement in reliance on information Franchisee and its Principal(s) provided related to Franchisee's and such Principal(s)'s business skills, business acumen, business experience, personal character, education, credit rating, financial resources, and other matters (collectively, the "Principal Qualifications"). Franchisee hereby directs any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to conclusively presume that this Agreement is a contract for the personal services of Franchisee and its Principal(s).

18.2.2 Franchisee's Principals shall own and hold all of the equity of Franchisee.

18.2.3 Franchisee and its Principal(s) shall own and hold a majority of the voting equity of any Operating Company (as defined in Section 1.12 of this Agreement). The remaining voting equity of any Operating Company may be owned or held by non-Principal natural persons not to exceed ten (10) in number, directly, indirectly, or beneficially, with BluTaco's prior written consent.

18.3 Transfer; Need for BluTaco's Consent. BluTaco's prior written consent is an express condition precedent to the sale, assignment, delegation, transfer, conveyance, gift, pledge, mortgage, encumbrance, or hypothecation (collectively, the "Transfer") of any of the following (each an "Interest"):

18.3.1 Any direct, indirect, or beneficial interest of Franchisee or of any Principal in Franchisee, the Franchised Business, any Operating Company, this Agreement, the Franchise granted under this Agreement, any Approved Location, any Restaurant, or all or substantially all of the assets of the Franchised Business except as expressly permitted in this Agreement; and

18.3.2 Franchisee, the Franchised Business, any Operating Company, this Agreement, the Franchise granted under this Agreement, any Approved Location, or any Restaurant, except as expressly permitted in this Agreement.

18.4 Conditions Precedent to Consent to Transfer.

18.4.1 BluTaco will not unreasonably withhold its consent to a Transfer of any Interest described in Section 18.3 of this Agreement.

18.4.2 Franchisee, Principal(s), the transferor, and the transferee, as appropriate, must satisfy the following conditions precedent to BluTaco's consent to the Transfer of any Interest, all of which conditions precedent Franchisee acknowledges and agrees are reasonable:

18.4.2.1 Transferee (and if the transferee is a business entity, such transferee's equityholders) must meet BluTaco's Principal Qualifications.

18.4.2.2 Franchisee must satisfy all monetary obligations and other obligations owed to BluTaco, BluTaco's affiliates, and Franchisee's other creditors.

18.4.2.3 At all times during the Term: (i) Franchisee must have been in substantial compliance with this Agreement; (ii) Franchisee must have been in substantial compliance with the Operations Manual; and (iii) Franchisee and its affiliates must have been in substantial compliance with all other agreements to which Franchisee or such affiliates on the one hand, and BluTaco or BluTaco's affiliates on the other hand, are parties.

18.4.2.4 At the time of the Transfer, Franchisee and its affiliates must be in compliance with this Agreement and all other agreements to which Franchisee or such affiliates on the one hand, and BluTaco or BluTaco's affiliates on the other hand, are parties.

18.4.2.5 Franchisee, Principal(s), the transferor, and the transferee must duly execute and deliver to BluTaco its then-current form of transfer agreement, which transfer agreement: (i) will require the transferee to assume and agree to discharge all of the obligations of the transferor; (ii) will provide that the transferor shall remain liable for all of the obligations owed to BluTaco and BluTaco's affiliates arising prior to the effective date of the Transfer; and (iii) will contain a Release, Estoppel, Covenant Not to Sue, and Indemnification in substantially the form attached as Schedule I to this Agreement.

18.4.2.6 If the Transfer is a Transfer of Franchisee, all or substantially all of the assets of Franchisee, any Restaurant, all or substantially all of the assets of any Restaurant, the Franchised Business, all or substantially all of the assets of the Franchised Business, or the Franchise granted under this Agreement, the transferee must enter into BluTaco's then-current form of franchise agreement (the "Replacement Franchise Agreement"). The provisions of the Replacement Franchise Agreement may differ materially from the provisions of this Agreement. BluTaco will not require the transferee to pay any initial franchise fee similar to the initial franchise fee set forth in Section 4.1 of this Agreement as to such Replacement Franchise Agreement. The initial term of the Replacement Franchise Agreement shall be the balance remaining of the Initial Term of this Agreement.

18.4.2.7 Transferee, at its expense, must Renovate the Restaurant as set forth in Section 7.4 of this Agreement, if BluTaco requires such Renovation.

18.4.2.8 Transferee and, if applicable, transferee's Managers, must complete any training programs then in effect for new franchisees prior to the effective date of such Transfer, on such terms and conditions as BluTaco may reasonably specify.

18.4.2.9 Except in the case of a Transfer to an Operating Company, transferor or transferee must pay BluTaco a Transfer fee in an amount equal to Two Thousand Five Hundred and No/100 Dollars ($2,500) (the "Transfer Fee").

18.4.2.10 Transferee must, if the Approved Location is subject to a lease: (i) agree to a sublease, or to a transfer and assumption of the lease, of the Approved Location from the original franchisee; and (ii) obtain the landlord's approval prior to any such sublease, transfer, and assumption.

18.4.3 Any purported Transfer that does not comply with this Section 18.4 shall be: (i) voidable by BluTaco; and (ii) a breach of this Agreement that shall permit BluTaco to terminate this Agreement pursuant to Section 20.3.15 of this Agreement.

18.5 Transfer to Franchisee's Operating Company.

18.5.1 Franchisee may transfer the Operating Rights to a specific Restaurant to an Operating Company. Franchisee or Principal(s) must own and hold (directly, indirectly, and beneficially) a majority of the voting equity of such Operating Company. As express conditions precedent to such transfer:

18.5.1.1 Franchisee and such Operating Company, together with Principal(s) and Operating Company's equityholders, must enter into BluTaco's then-current form of Consent to Transfer of Operating Rights, which Consent to Transfer of Operating Rights: (i) will require the Operating Company to assume and agree to discharge all of Franchisee's Operating Rights, which Operating Rights specifically include Franchisee's obligations, related to the Restaurant; (ii) will provide that Franchisee shall remain liable for all of the obligations owed to BluTaco and BluTaco's affiliates in connection with the Franchised Business; (iii) will contain a personal guaranty of Principal(s) and Operating Company's equityholders in substantially the form of the Personal Guaranty of Principal(s) attached as Schedule D to this Agreement; (iv) will contain confidentiality agreements in substantially the form of Confidentiality Agreement attached to this Agreement as Schedule E and the form of Individual Confidentiality Agreement attached to the Confidentiality Agreement as Schedule D; (v) will contain covenants not to compete in substantially the form of Covenant Not to Compete attached to this Agreement as Schedule F and the form of Individual Covenant Not to Compete attached to the Covenant Not to Compete as Schedule D; and (vi) will contain a Release, Estoppel, Covenant Not to Sue, and Indemnification in substantially the form attached as Schedule I to this Agreement; and

18.5.1.2 Franchisee and such Operating Company must comply, except as BluTaco may otherwise approve in writing, with the requirements set forth in Section 18.4.2 of this Agreement.

18.5.2 Any purported transfer of operating rights that does not comply with this Section 18.5 shall be: (i) voidable by BluTaco; and (ii) a breach of this Agreement that shall permit BluTaco to terminate this Agreement pursuant to Section 20.3.15 of this Agreement.

18.5.3 In the event of any transfer to an Operating Company, whether such transfer is permitted or unpermitted, and regardless of whether BluTaco, Franchisee, Principal(s), Operating Company, and Operating Company's equityholders, have entered into BluTaco's then-current form of Consent to Transfer of Operating Rights, all provisions of this Agreement that grant BluTaco the right to terminate this Agreement as a result of Franchisee's acts, omissions, circumstances, or breaches shall be expanded to permit BluTaco to terminate this Agreement as a result of acts, omissions, circumstances, or breaches of such Operating Company, as if the term "Franchisee" specifically included such Operating Company. By way of example, and not by way of limitation, the provisions of this Agreement that grant BluTaco the right to terminate this Agreement as a result of Franchisee's failure to pay sums Franchisee owes BluTaco shall likewise grant BluTaco the right to terminate this Agreement as a result of such Operating Company's failure to pay BluTaco sums Operating Company owes. By way of further example, and not by way of limitation, the provisions of this Agreement that grant BluTaco the right to terminate this

Agreement as a result of Franchisee's insolvency shall likewise grant BluTaco the right to terminate this Agreement as a result of Operating Company's insolvency.

18.5.4 BluTaco will not charge Franchisee a Transfer Fee for the transfer of Operating Rights set forth in this Section 18.5; provided, however, Franchisee will reimburse BluTaco for BluTaco's actual costs related to such transfer of Operating Rights, including without limitation BluTaco's attorneys' fees and costs, so that BluTaco actually receives such reimbursement by the end of ten (10) days after demand therefor.

18.6 Transfer on Death or Disability. In the event of the death, disability, or permanent incapacity of a shareholder, partner, member, or other owner of Franchisee that results in a change in control or right of control over Franchisee or the Franchised Business, all of the interest of such person may be transferred to a buyer BluTaco approves by the end of six (6) months after the date such person dies or becomes disabled, provided that each person obtaining such interest: (i) is capable of operating the Franchised Business in compliance with this Agreement, as BluTaco may determine; (ii) agrees to be bound by the terms of this Agreement as principal(s); and (iii) any principal(s) cause each of their spouses to execute a new spousal guaranty in the form of the Spousal Guaranty attached to this Agreement as Schedule C, as conditions precedent to obtaining such ownership interest. If Franchisee's Managers responsible for managing the Franchised Business cannot devote their full time or best efforts to the operation of the Franchised Business or lack the capacity to comply with this Agreement, BluTaco will have the option to operate or manage the Franchised Business for Franchisee's account or the account of the estate of the deceased, disabled, or incapacitated shareholder, partner, or member until the deceased, disabled, or incapacitated party's interest is transferred to a party acceptable to BluTaco in compliance with this Section 18.6. During the period that BluTaco operates or manages the Franchised Business, BluTaco will make a complete accounting to, and will return the net income from such operation to, Franchisee or the estate of such shareholder, partner, member, or other owner, less a reasonable management fee and reimbursement of BluTaco's expenses.

18.7 BluTaco's Right of First Refusal.

18.7.1 Section 18.7.2 of this Agreement shall not apply to: (i) Transfers of Interests between or among Franchisee's then-existing permitted Principal(s); and (ii) Transfers of Operating Rights.

18.7.2 If Franchisee or any Principal determines at any time to Transfer any Interest, Franchisee will obtain a bona fide executed written offer to purchase such Interest from a responsible and fully-disclosed purchaser, and will submit an exact copy of such offer to BluTaco. BluTaco may request such information as BluTaco deems appropriate related to such documented offer. BluTaco will, for a period of thirty (30) days from the date BluTaco receives the last item of information BluTaco may request, have the right, but not the obligation, exercisable by written notice to Franchisee, to purchase all of such Interest for the price, minus any sales commission that would have been payable as a result of the proposed sale, and on substantially the same terms and conditions, contained in such offer; provided, however, BluTaco may substitute cash for any other form of consideration proposed in such offer. BluTaco may deduct from the purchase price any unpaid amounts Franchisee owes BluTaco and may pay out of the purchase price any of Franchisee's unpaid trade creditors. If BluTaco does not exercise such right of first refusal, Franchisee or Principal(s) may complete such Transfer of such Interest to such purchaser on the same terms as offered to BluTaco, subject to the other provisions of Section 18.2, Section 18.3, and Section 18.4 of this Agreement. If such Transfer is not completed by the end of sixty (60) days after delivery of such offer to BluTaco, or if Franchisee or the proposed purchaser makes any material modification to such offer, BluTaco will again have the right of first refusal set forth in this Section 18.7.

19. **RELATIONSHIP OF THE PARTIES**

19.1 Franchisee Is an Independent Licensee. Franchisee acknowledges and agrees that: (i) it is an independent licensee of BluTaco; (ii) it is not BluTaco's legal representative, contractor or agent; (iii) it does not have any right, power, or authority to obligate or to bind BluTaco, legally or otherwise; (iv) it does not have any right, power, or authority to control or supervise BluTaco's business; (v) nothing in this Agreement may be construed to create a partnership or a joint venture, or an agency, fiduciary, or employment relationship; (vi) BluTaco will not be liable for any damages to any person or property that directly or indirectly arise out of or relate to the Franchised Business; and (vii) except as otherwise set forth in this Agreement, BluTaco does not have control or any right of control over the Franchised Business.

19.2 Franchisee and BluTaco Are Engaged in Separate and Distinct Businesses. Franchisee acknowledges and agrees that: (i) BluTaco's business is the business of developing the System, granting franchises to independent business operators to use the System, and servicing independent operators of franchised businesses in the System; (ii) Franchisee's business is the business of offering for sale and selling the Products and Services to the consuming public; and (iii) the business BluTaco operates and the business Franchisee operates are separate and distinct businesses engaged in separate and distinct activities.

19.3 Franchisee and BluTaco Do Not Have an Employment Relationship. Franchisee acknowledges and agrees that neither Franchisee nor any employee of Franchisee shall, in any manner, directly or indirectly, expressly or by implication, be construed to be an employee of BluTaco for any purpose; which purposes shall specifically include, but shall not be limited to, any government-mandated insurance coverage, tax, or other program; or any form of unemployment compensation; or contributions or requirements related to withholdings imposed, levied, or fixed by any governmental authority.

19.4 Franchisee Will Identify Itself as an Independent Licensee. Franchisee will: (i) identify itself as an independent franchisee of BluTaco in all public records where such disclosure is permitted; (ii) place on Franchisee's business forms and checks the legend "An Independent Franchisee of BluTaco Franchising, LLC" or such other language as BluTaco may specify from time to time; and (iii) post in the Restaurant, in a place easily visible to guests, suppliers, and the public, a sign stating substantially as follows:

> This BluTaco® Restaurant is independently owned and operated by [Franchisee's full legal name] under a franchise granted by BluTaco Franchising, LLC, [BluTaco's then-current address], [BluTaco's then-current telephone number].

19.5 Covenant Not to Raise Contrary Allegations; Enforcement.

19.5.1 Franchisee and Principal(s), on behalf of themselves and their employees, hereby covenants, warrants, represents, and agrees that neither Franchisee, nor they, nor any of them will: (i) make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand; (ii) commence, or cause or permit to be commenced; (iii) prosecute, or cause or permit to be prosecuted; or (iv) assist or cooperate in the commencement or prosecution of, any suit or action at law or in equity or otherwise, any arbitration or like proceeding, or any administrative or agency proceeding, against or related to BluTaco or its affiliates, or BluTaco's or such affiliates' directors, officers, shareholders, partners, members, employees, agents, or attorneys (collectively, the "BluTaco Parties"), alleging any matter contrary to any covenant, warranty, representation, acknowledgment, agreement, or other provision set forth in this Section 19 of this Agreement.

19.5.2 Franchisee and Principal(s), for themselves and their employees, hereby acknowledges and agrees that in the event of any breach of Section 19.5.1 of this Agreement, the BluTaco

Parties would be irreparably injured and without adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any provision of Section 19.5.1, Franchisee and Principal(s), for themselves and their employees, agree that BluTaco and the other BluTaco Parties will be entitled, in addition to all other remedies BluTaco and such other BluTaco Parties may have at law or in equity or otherwise, to a preliminary and permanent injunction and a decree for specific performance of the provisions of Section 19.5.1, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

19.6 Authority. Franchisee hereby covenants, warrants, represents, and agrees that Franchisee has the authority to bind itself, its Principals, and its employees to this Section 19 of this Agreement.

20. BREACH AND TERMINATION

20.1 Termination by Franchisee.

20.1.1 Bases for Termination; Notice and Opportunity to Cure. Franchisee may terminate this Agreement if BluTaco commits a material breach of any material provision of this Agreement. To terminate this Agreement, Franchisee must give BluTaco written notice of such breach. Such notice must state with particularity: (i) the breach; and (ii) the cure required. Franchisee may terminate the Agreement on notice of termination to BluTaco if BluTaco has not cured the breach by the end of sixty (60) days after the date BluTaco actually receives the notice of such breach; provided, however, if such cure requires a longer time to complete, Franchisee may not terminate this Agreement if BluTaco has commenced to cure such breach by the end of sixty (60) days after the date BluTaco actually receives such notice and BluTaco diligently continues to prosecute such cure until it is reasonably effected.

20.1.2 Injunctive Relief to Prevent Termination. Notwithstanding anything set forth in Section 20.1.1 of this Agreement to the contrary, BluTaco shall have the right to commence an action for injunctive relief to prevent the termination of this Agreement, without regard to any waiting period that may be contained in this Agreement, without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security. If BluTaco commences such action, then Franchisee may not terminate this Agreement unless and until a court of competent jurisdiction has ruled on the merits that: (i) BluTaco breached this Agreement in the manner Franchisee alleged; (ii) Franchisee complied with the notice requirements set forth in Section 20.1.1 and Section 22.2.1 of this Agreement; and (iii) BluTaco did not cure such breach, or did not commence such cure, as set forth in Section 20.1.1. If the requirements set forth in Clause (i), Clause (ii), and Clause (iii) of this Section 20.1.2 are satisfied, then Franchisee may terminate only if: (a) BluTaco fails to begin the actions necessary to cure the breach by the end of thirty (30) days after a final judgment has been entered against BluTaco; and (b) all time for BluTaco to appeal has expired.

20.2 Termination by BluTaco: General.

20.2.1 Franchisee acknowledges and agrees that: (i) all of Franchisee's obligations contained in this Agreement are material and essential; (ii) any breach by Franchisee of this Agreement will materially damage the System and BluTaco; and (iii) any breach by Franchisee of this Agreement will impose additional and unforeseen costs and expenses on BluTaco.

20.2.2 As a result of the matters set forth in Section 20.2.1 of this Agreement, Franchisee agrees that if Franchisee breaches any covenant, warranty, representation, agreement, term, or provision in this Agreement: (i) such breach shall permit BluTaco to terminate this Agreement and any and all rights granted to Franchisee under this Agreement under the provisions set forth in this Section 20; and

(ii) BluTaco's performance of its obligations under this Agreement shall be excused for as long as Franchisee is in such breach.

20.2.3 If BluTaco permits Franchisee to cure any breach of this Agreement, or if this Agreement provides that Franchisee may effect such cure, Franchisee must: (i) effect such cure by the end of the cure period prescribed by this Agreement or such later cure period as BluTaco may prescribe; (ii) effect such cure to BluTaco's reasonable satisfaction; and (iii) deliver timely confirmation and proof of such cure to BluTaco, without which timely confirmation and proof BluTaco may conclusively presume that Franchisee has not effected such cure.

20.3 Termination by BluTaco: No Opportunity to Cure. Franchisee will be in material breach of this Agreement, and BluTaco will have the right to terminate this Agreement without affording Franchisee any opportunity to cure the breach, effective on delivery of notice of termination to Franchisee:

20.3.1 If Franchisee or any Operating Company shall become insolvent, which shall mean that any one or more of the following apply to Franchisee or such Operating Company:

20.3.1.1 A petition in bankruptcy is filed or a case in bankruptcy: (i) is commenced by Franchisee or any Operating Company; or (ii) is commenced against Franchisee or any Operating Company and is not dismissed within sixty (60) days;

20.3.1.2 Franchisee or any Operating Company is adjudicated bankrupt;

20.3.1.3 Franchisee or any Operating Company takes or attempts to take the benefit of any law for the relief of debtors;

20.3.1.4 Proceedings for a composition of creditors under any Law: (i) are commenced by Franchisee or any Operating Company; or (ii) are commenced against Franchisee or any Operating Company and are not dismissed within sixty (60) days;

20.3.1.5 Franchisee or any Operating Company makes a general assignment for the benefit of creditors;

20.3.1.6 A proceeding for the appointment of a receiver, liquidator, manager, administrator, or other custodian (permanent or temporary) of Franchisee, any Operating Company, Franchisee's assets, the assets of any Operating Company, any Restaurant, the assets of any Restaurant, the Franchised Business, or the assets of the Franchised Business, or any part of any of the foregoing: (i) is commenced by Franchisee or any Operating Company; or (ii) is commenced against Franchisee or any Operating Company and is not dismissed within sixty (60) days;

20.3.1.7 A receiver, liquidator, manager, administrator, or other custodian (permanent or temporary) of Franchisee, any Operating Company, Franchisee's assets, the assets of any Operating Company, any Restaurant, the assets of any Restaurant, the Franchised Business, or the assets of the Franchised Business, or any part of the foregoing: (i) is appointed by Franchisee or any Operating Company; or (ii) is appointed by a court of competent jurisdiction or by private instrument or otherwise and such appointment is not dismissed within sixty (60) days;

20.3.1.8 Execution is levied against any ownership interest in, or any assets of, Franchisee, any Operating Company, any Restaurant, or the Franchised Business;

20.3.1.9 Any interest in, or any asset of, Franchisee, any Operating Company, any Restaurant, or the Franchised Business, is sold after levy on such interest or asset by any sheriff, marshal, bailiff, clerk of court, or other governmental authority;

20.3.1.10 Franchisee or any Operating Company is evicted from the premises of the Approved Location or Restaurant; provided, however, if such eviction is the result of governmental exercise of eminent domain, Franchisee may relocate the Restaurant to another location in Franchisee's Territory, subject to: (i) BluTaco's approval of the Proposed Site; and (ii) Franchisee's compliance with site selection criteria, Restaurant opening criteria, and related matters set forth in this Agreement and the Operations Manual;

20.3.1.11 BluTaco determines that Franchisee's or any Operating Company's capital is insufficient to carry on Franchisee's or such Operating Company's business transactions and all business transactions in which it is required to engage, as evidenced by Franchisee's or Operating Company's actual failure to carry on such business transactions;

20.3.1.12 BluTaco determines that Franchisee or any Operating Company is unable to pay all of Franchisee's or such Operating Company's indebtedness as such indebtedness comes due, as evidenced by Franchisee's or Operating Company's actual failure to pay such indebtedness as it comes due;

20.3.1.13 An unappealed final judgment against Franchisee or any Operating Company remains unsatisfied for sixty (60) days, unless a supersedeas bond is filed;

20.3.1.14 Franchisee or any Operating Company is dissolved or wound up; or

20.3.1.15 Franchisee or any Operating Company, jointly or severally, fails on three (3) or more occasions during any twelve (12) consecutive month period to pay when due any sum Franchisee or such Operating Company is required to pay BluTaco or BluTaco's affiliates, whether or not Franchisee or such Operating Company cures such failure to pay.

20.3.2 If in breach of any provision of Section 12 or Section 15 of this Agreement, or if in breach of any provision of the Confidentiality Agreement attached to this Agreement as Schedule E, the Individual Confidentiality Agreement attached to the Confidentiality Agreement as Schedule D, the Covenant Not to Compete attached to this Agreement as Schedule F, or the Individual Confidentiality Agreement attached to the Covenant Not to Compete as Schedule D, Franchisee, any Operating Company, any person required to execute the Individual Confidentiality Agreement, or any person required to execute the Individual Covenant Not to Compete: (i) discloses any of BluTaco's Confidential Information or Trade Secrets to any person or entity not authorized to receive such information; (ii) misuses any of BluTaco's Confidential Information or Trade Secrets; or (iii) engages in a Competing Activity.

20.3.3 If Franchisee or any Principal misrepresented any material fact in any information furnished to BluTaco related to BluTaco's decision to enter into this Agreement.

20.3.4 If Franchisee or any Operating Company knowingly maintains false books or records, conceals revenues from BluTaco, or submits any material, false statement in any Gross Sales Report, Annual Report, Annual Financial Statement, or Local Advertising Report, or in any other report, document, or data BluTaco requires, or in any tax return required by Law.

20.3.5 If BluTaco determines that Franchisee or any Operating Company has understated Franchisee's or such Operating Company's Gross Sales by four percent (4%) or more on any

Gross Sales Report, Annual Report, Annual Financial Statement, Local Advertising Report, or other report, document, or data BluTaco requires, or on any federal, state, or local tax return Franchisee is required to file.

20.3.6 If Franchisee or any Operating Company denies BluTaco or any of BluTaco's authorized representatives immediate access, on BluTaco's or such representative's demand, during any hours that Franchisee's Restaurant is required to be or is in fact open for business, to any or all of Franchisee's financial or accounting records and files; which records and files will include, but will not be limited to: (i) paper records; (ii) records stored on any computer hard drive, computer floppy drive, CD-ROM, flash drive, cloud, or other electronic media; (iii) cash receipts, charge receipts, Comp records, invoices, bank statements, cancelled checks, and otherwise, related to the information Franchisee is required to provide in the Gross Sales Report, Annual Report, Annual Financial Statement, Local Advertising Report, or other report, document, or data BluTaco requires, or in any tax return Franchisee is required by Law to file, whether such records and files are located at Franchisee's Restaurant or elsewhere; so that BluTaco may inspect, audit, make copies of, and download all such records and files; or if Franchisee or such Operating Company fails to provide BluTaco or its representatives with immediate and full assistance in the course of such access, inspection, audit, copying, and downloading.

20.3.7 If Franchisee or any Operating Company denies BluTaco or any of BluTaco's authorized representatives immediate access, on BluTaco's or such representative's demand, during any hours that Franchisee's Restaurant is required to be or is in fact open for business, to all premises of the Franchised Business, to monitor Franchisee's procedures, evaluate Franchisee's performance, or determine if Franchisee is in compliance with this Agreement and the Operations Manual; or if Franchisee or such Operating Company fails to provide BluTaco or its representatives with immediate and full assistance in the course of such monitoring, evaluation, and determination.

20.3.8 If Franchisee or any Operating Company receives three (3) or more failing scores on any health or safety inspection BluTaco or any governmental authority conducts within any twelve (12) consecutive month period.

20.3.9 If Franchisee or any Operating Company, unless BluTaco expressly authorizes Franchisee to do so in writing: (i) uses or displays the Marks in relation to any business or activity other than the operation of the Restaurant; (ii) uses any trademark, trade name, service mark, logotype, other commercial symbol, or trade dress, other than the Marks, as a primary identifier of the Restaurant; (iii) offers for sale, sells, or delivers the Products and Services, or any other products, equipment, services, supplies, or merchandise, under the Marks, except as set forth in this Agreement; (iv) uses or displays the Marks except in the form, manner, and locations that BluTaco specifically approves or directs; (v) uses or registers any Mark, any part of any Mark, or anything similar, as part of Franchisee's name or the name of any entity related to Franchisee's activities, except for the fictitious name registration required under Section 14.1 of this Agreement; (vi) uses or registers any Mark, any part of any Mark, or anything similar, as a part of any Internet domain name, social media site name, user name, or any like name; (vii) uses any Mark in any manner that may injure or disparage BluTaco or BluTaco's reputation; or (viii) takes any other action that may harm or jeopardize any Mark, or BluTaco's ownership of such Mark, in any way.

20.3.10 If Franchisee or any Operating Company fails to comply with all Laws related to the Franchised Business, unless there is a bona fide dispute as to the violation or legality of such Law, and Franchisee or such Operating Company promptly resorts to a court or other appropriate forum having jurisdiction to contest such violation or illegality, and Franchisee or such Operating Company vigorously prosecutes such contest to its conclusion.

20.3.11 If, for a period of five (5) consecutive days or any shorter period of time that indicates an intent to discontinue operation of the Restaurant as a BluTaco restaurant under the System: (i) Franchisee or any Operating Company abandons the Restaurant; (ii) Franchisee or any Operating Company abandons the Franchise granted under this Agreement by failing to operate the Restaurant; or (iii) the Restaurant ceases regular business operations.

20.3.12 If Franchisee or any Operating Company commits fraud related to the Franchised Business, including without limitation fraud on BluTaco, any affiliate of BluTaco, any lessor, any supplier, or any guest; or if Franchisee or any Operating Company otherwise engages in conduct that materially impairs the goodwill related to the Franchised Business or the System.

20.3.13 If Franchisee, any Operating Company, or any Principal is convicted of, or pleads nolo contendere to, a felony, fraud, sale of illegal drugs, crime involving moral turpitude, crime that is directly related to the Franchised Business, or any other crime that BluTaco determines will have an adverse effect on the Restaurant, the System, the Marks, the goodwill associated with the Marks, or BluTaco's interest in the Marks.

20.3.14 If Franchisee is a business entity, Franchisee's status or existence is suspended, dissolved, or revoked by any court or governmental authority, including the secretary of any state or commonwealth where Franchisee is formed, organized, or doing business.

20.3.15 If Franchisee, any Operating Company, or any Principal intentionally, willfully, or through gross negligence, breaches any covenant, warranty, representation, agreement, or obligation set forth in this Agreement, the Operations Manual, or any Consent to Transfer of Operating Rights.

20.3.16 If BluTaco delivers three (3) or more notices of breach to Franchisee or any Operating Company within any twelve (12) consecutive month period, regardless of whether Franchisee or such Operating Company cured the breaches enumerated in such notices, and regardless of whether such notices were for the same or different breaches; provided, however, the second such notice must apply to a breach that occurs or that BluTaco discovers at least ten (10) days after the initial breach, and the third such notice must apply to a breach that occurs or that BluTaco discovers at least ten (10) days after the second breach.

20.4 Termination by BluTaco: Opportunity to Cure. Franchisee will be in material breach of this Agreement, and BluTaco will have the right to terminate this Agreement after ten (10) days' written notice of such breach to Franchisee and Franchisee's failure to cure such breach by the end of such time, without further notice or opportunity to cure:

20.4.1 If Franchisee or any Operating Company has not opened Franchisee's Restaurant by the end of the Opening Date. Notwithstanding the foregoing, if Franchisee and BluTaco have entered into an Agreement Extending Opening Date as set forth in Section 8.2.1 of this Agreement, BluTaco will not have the right of termination set forth in this Section 20.4.1 until the end of the extension of the Opening Date set forth in such Agreement Extending Opening Date.

20.4.2 If Franchisee fails to execute or to cause any and all persons required, by the terms of this Agreement and such schedules and exhibits, to execute: (i) the form of Spousal Guaranty of Schedule C; (ii) the Confidentiality Agreement attached to this Agreement as Schedule E; (iii) the Individual Confidentiality Agreement attached to the Confidentiality Agreement as Schedule D; (iv) the Covenant Not to Compete attached to this Agreement as Schedule F; or (v) the Individual Covenant Not to Compete attached to the Covenant Not to Compete as Schedule E: (a) contemporaneously with Franchisee's execution of this Agreement, where such person or entity is, on the Effective Date, within the scope of persons or entities required to execute any or all of such schedules or exhibits; or (b) where such person or entity is not, on Effective Date, within the scope of persons or entities required to execute any or all of such schedules or exhibits, prior to or contemporaneously with such person or entity coming within the scope of persons or entities required to execute any or all of such schedules or exhibits.

20.4.3 If Franchisee or any Operating Company fails to submit to BluTaco any Gross Sales Report, Annual Report, Annual Financial Statement, Local Advertising Report, or other report, document, or data BluTaco requires.

20.4.4 If Franchisee or any Operating Company fails to pay BluTaco or any of BluTaco's affiliates any monies Franchisee or such Operating Company is obligated to pay BluTaco or such affiliate.

20.4.5 If Franchisee or Principal(s) are unable to or otherwise fail to complete the training BluTaco prescribes, after BluTaco affords the re-training opportunities set forth in Section 13.8.1 of this Agreement.

20.4.6 If any alcoholic beverage license or permit related to the Restaurant is revoked or suspended for any reason.

20.4.7 If Franchisee breaches or fails to perform any covenant, warranty, representation, agreement, promise, term, provision, or obligation of Franchisee contained in this Agreement, where such breach or failure is not specifically enumerated in Section 20.3 or this Section 20.4 of this Agreement.

20.5 Conflict of Provisions. In the event of any conflict between Section 20.3 and Section 20.4 of this Agreement, Section 20.3 shall control.

20.6 Cross-Breach. Any breach by Franchisee or any Principal(s) or affiliates of any other agreement to which Franchisee, such Principal(s), or such affiliates on the one hand, and BluTaco or any of BluTaco's affiliates on the other hand, are parties, will be deemed to be a breach of this Agreement, and any breach of this Agreement by Franchisee will be deemed to be a breach of all other agreements to which Franchisee or any Principal(s) or affiliates on the one hand, and BluTaco or any of BluTaco's affiliates on the other hand, are parties. If such breach would be grounds for termination of this Agreement by BluTaco if the breach had occurred under this Agreement, then BluTaco will have the right to terminate this Agreement in the same manner provided in this Agreement for termination of this Agreement. If such breach would be grounds for termination of such other agreements, then BluTaco or BluTaco's affiliates will have the right to terminate such other agreements in the same manner provided in such other agreements for termination of such other agreements.

20.7 BluTaco's Right to Cure. BluTaco may, without prejudice to any other right or remedy contained in this Agreement or provided at law or in equity or otherwise, take action to cure any breach by Franchisee by performing any acts BluTaco deems necessary to cure the breach. All such cures will be at Franchisee's sole cost and expense, and Franchisee will reimburse BluTaco for all costs and expenses BluTaco incurs related to such cures, which costs and expenses will include, without limitation, all travel, food, lodging, salary expenses, and benefit costs of BluTaco's personnel, and any other costs or expenses, including without limitation BluTaco's reasonable attorneys' fees and costs. BluTaco will have no obligation to cure such breaches.

20.8 Notice Required By Law. Notwithstanding the termination provisions set forth in Section 20.3 and Section 20.4 of this Agreement, if any Law limits BluTaco's rights of termination under this Agreement, or if any Law requires longer notice or cure periods than those set forth in Section 20.3 or

Section 20.4, this Agreement will be deemed amended to conform to the minimum notice, cure periods, or restrictions on termination required by such Laws; provided, however, BluTaco will not be precluded from contesting the validity, enforceability, or application of such Laws.

21. OBLIGATIONS ON TERMINATION OR EXPIRATION

21.1 General Obligations.

21.1.1 On the termination of this Agreement for any reason, or on the expiration of this Agreement without entry into a Replacement Franchise Agreement, Franchisee will cease to be an authorized BluTaco franchisee and shall have no right to use the System or any part of it.

21.1.2 The termination of this Agreement for any reason, or the expiration of this Agreement without entry into a Replacement Franchise Agreement, will be without prejudice to BluTaco's rights against Franchisee. Such termination or expiration will not: (i) relieve Franchisee of any monetary obligation Franchisee owes BluTaco or any of BluTaco's affiliates; (ii) relieve Franchisee of any other obligations Franchisee owes BluTaco or BluTaco's affiliates; (iii) affect BluTaco's right to damages; or (iv) affect those obligations of Franchisee that by their nature survive such termination or expiration.

21.2 Specific Obligations. In addition to the obligations imposed on Franchisee as a result of Franchisee's loss of the right to use the System as set forth in Section 21.1.1 of this Agreement, on the termination of this Agreement, or on the expiration of this Agreement without entry into a Replacement Franchise Agreement, Franchisee will, at Franchisee's sole cost and expense, and without payment of any compensation to Franchisee:

21.2.1 Pay BluTaco and BluTaco's affiliates the full amount of any and all monies Franchisee owes BluTaco and BluTaco's affiliates, so that BluTaco and such affiliates actually receive such payment by the end of five (5) days after the date of such termination or expiration, without demand therefor.

21.2.2 Immediately cease all use of the System.

21.2.3 Immediately cease to use any advertising materials related to the System, as well as any copies, imitations, or derivations of such materials.

21.2.4 Immediately cease to hold itself out in any way as a franchisee of BluTaco, or to suggest or represent that Franchisee was formerly a franchisee of BluTaco.

21.2.5 Immediately return the Operations Manual and all other rules, guidelines, standards, specifications, plans, programs, and procedures related to the System, together with all copies of any of them, to BluTaco.

21.2.6 Take all such actions as may be necessary to cancel any and all assumed name or equivalent registrations related to the Mark "BluTaco," and any and all other Marks, or any variant of any of them, by the end of ten (10) days after the date of such termination or expiration.

21.2.7 Take all such actions as may be required to fulfill Franchisee's obligations under the Telephone Numbers and Listings Agreement and the Internet Websites and Listings Agreement, within the times specified in the Telephone Numbers and Listings Agreement and the Internet Websites and Listings Agreement.

21.2.8 Comply fully with, and cause all persons required to execute any or all of them to comply with: (i) the Spousal Guaranty attached to this Agreement as Schedule C; (ii) the Confidentiality Agreement attached to this Agreement as Schedule E; (iii) the Individual Confidentiality Agreement attached to the Confidentiality Agreement as Schedule D; (iv) the Covenant Not to Compete attached to this Agreement as Schedule E; (v) the Individual Covenant Not to Compete attached to the Covenant Not to Compete as Schedule D; and (vi) Franchisee's obligations set forth in Section 15 of this Agreement.

21.3 BluTaco's Right to Take Possession of Approved Location. On the termination of this Agreement for any reason, or on the expiration of this Agreement without entry into a Replacement Franchise Agreement, BluTaco will have the right, but not the obligation, exercisable by written notice (the "Notice of Intent to Take Possession") delivered to Franchisee by the end of ten (10) days after the date of such termination or expiration, to take possession of the Approved Location. If BluTaco elects to take possession of the Approved Location:

21.3.1 Where Franchisee Leases the Approved Location. If Franchisee leases the Approved Location, Franchisee will assign to BluTaco any interest Franchisee has in any lease, sublease, right of entry, easement, and similar right for the Approved Location, and vacate the Approved Location, promptly and completely, by the end of ten (10) days after BluTaco delivers the Notice of Intent to Take Possession, rendering all assistance necessary or beneficial to BluTaco to enable BluTaco to take prompt possession; or

21.3.2 Where Franchisee Owns the Approved Location. If Franchisee owns the Approved Location, Franchisee will execute and deliver to BluTaco a lease for the Approved Location on commercially reasonable terms and conditions comparable to those prevalent in the geographic area in which the Approved Location is located for similarly-situated tenants. Franchisee and BluTaco will work together in good faith to determine the terms and conditions of such lease. If Franchisee and BluTaco cannot agree on such terms and conditions by the end of ten (10) days after BluTaco delivers the Notice of Intent to Take Possession, Franchisee will appoint one appraiser to determine such terms and conditions, BluTaco will appoint one appraiser, and the two appraisers so appointed will select a third appraiser. Franchisee will pay the cost of the appraiser Franchisee appoints, BluTaco will pay the cost of the appraiser BluTaco appoints, and Franchisee and BluTaco will share equally the cost of the third appraiser. Such third appraiser's determination will be final and binding with no appeal therefrom. If BluTaco elects to accept such third appraiser's determination, BluTaco will promptly notify Franchisee, and Franchisee will execute and deliver to BluTaco a lease for the Approved Location on the terms and conditions established by the third appraiser by the end of five (5) days after BluTaco delivers such notice to Franchisee. Franchisee will vacate the Approved Location, promptly and completely, by the end of ten (10) days after the date BluTaco executes the lease for the Approved Location, rendering all assistance necessary or beneficial to BluTaco to enable BluTaco to take prompt possession. BluTaco may set off against the lease amount any amounts Franchisee or any of Franchisee's affiliates owes BluTaco or any of BluTaco's affiliates, and may pay out of such lease amount any of Franchisee's unpaid creditors.

21.4 De-Identification of Restaurant.

21.4.1 "De-Identification" shall mean: (i) removing or changing all signage and other trade dress so as to distinguish Franchisee's former Restaurant from its appearance as a BluTaco restaurant and from the appearance of other BluTaco restaurants generally; (ii) removing all items bearing the Marks; (iii) covering with paint or otherwise obliterating items bearing the Marks, where such items (e.g., wall paintings, color schemes) cannot reasonably be removed; and (iv) otherwise complying with BluTaco's then-current de-identification requirements.

21.4.2 If BluTaco does not elect to take possession of the Approved Location as set forth in Section 21.3 of this Agreement, Franchisee will De-Identify its former Restaurant so that such De-Identification is completed by the end of ten (10) days after the date BluTaco notifies Franchisee that BluTaco does not elect to take possession of the Approved Location.

21.4.3 If Franchisee fails to complete the De-Identification set forth in Section 21.4.2 of this Agreement by the end of the date specified in Section 21.4.2, BluTaco or its agents may enter onto and into Franchisee's former Restaurant premises and the Approved Location without prior notice to Franchisee, without liability for trespass, and without the need for court order or any other judicial process, and: (i) De-Identify Franchise's former Restaurant premises and the Approved Location; and (ii) take from Franchisee's former Restaurant premises and the Approved Location, or destroy, as BluTaco deems appropriate, any and all items BluTaco or its agents remove in the course of such De-Identification.

21.4.3.1 Franchisee will provide BluTaco and its agents with immediate, full, complete, and unfettered access to Franchisee's former Restaurant premises and the Approved Location so that BluTaco and its agents may complete such De-Identification.

21.4.3.2 Franchisee will immediately provide BluTaco and its agents with all assistance BluTaco and its agents may request in the course of such De-Identification.

21.4.3.3 Franchisee will not impair, impede, hinder, or delay, and will not attempt to impair, impede, hinder, or delay, BluTaco or its agents in the course of such De-Identification.

21.4.3.4 Franchisee will pay, immediately on BluTaco's demand for payment, all costs and expenses BluTaco and its agents may incur in connection with such De-Identification, which costs and expenses shall include, without limitation, BluTaco's attorneys' fees and costs.

21.5 <u>BluTaco's Right to Purchase Assets of Franchised Business</u>. On the termination of this Agreement for any reason, or on the expiration of this Agreement without entry into a Replacement Franchise Agreement, BluTaco will have the right, but not the obligation, exercisable by written notice (the "Notice of Intent to Purchase Assets") delivered to Franchisee by the end of thirty (30) days after the date of termination or expiration, to purchase any or all of Franchisee's physical assets used in the Franchised Business. There will be no compensation for goodwill, and the purchase price for such assets will be equal to their fair market value less such goodwill. If Franchisee and BluTaco cannot agree on the purchase price for the assets that BluTaco desires to purchase by the end of ten (10) days after BluTaco delivers the Notice of Intent to Purchase Assets, Franchisee will appoint one appraiser to determine such fair market value, BluTaco will appoint one appraiser, and the two appraisers so appointed will select a third appraiser. Franchisee will pay the cost of the appraiser Franchisee appoints, BluTaco will pay the cost of the appraiser BluTaco appoints, and Franchisee and BluTaco will share equally the cost of the third appraiser. Such third appraiser's decision will be final and binding with no appeal therefrom. If BluTaco elects to accept such third appraiser's determination, BluTaco will promptly notify Franchisee, and the closing of the purchase will take place at a location, and on a date, BluTaco chooses, and will be completed in accordance with all applicable bulk sales Laws. At closing, Franchisee will deliver to BluTaco a bill of sale for the assets, in a form acceptable to BluTaco. BluTaco may set off against the purchase price any amounts Franchisee or any of Franchisee's affiliates owes BluTaco or any of BluTaco's affiliates, and to pay out of the purchase price any of Franchisee's unpaid creditors.

21.6 <u>BluTaco's Right to Obtain Liquor License</u>.

21.6.1 On the termination of this Agreement for any reason, or on the expiration of this Agreement without entry into a Replacement Franchise Agreement, BluTaco will have the right, but not the obligation, exercisable by written notice (the "Notice of Intent to Require Transfer of Liquor License") delivered to Franchisee by the end of ten (10) days after such termination or expiration, to require Franchisee to transfer any and all rights and interests Franchisee, any Operating Company, any Principal, any affiliate, or any other person or entity under Franchisee's or any Principal's control or right of control (collectively, a "Licensed Party") has in all alcoholic beverage licenses and permits related to the Restaurant (collectively, the "Liquor License") to BluTaco or BluTaco's designee, at Franchisee's sole cost and expense. Franchisee will have five (5) days after BluTaco delivers the Notice of Intent to Require Transfer of Liquor License to commence all procedures necessary to transfer or relocate such Liquor License to BluTaco or, if BluTaco designates another party to receive such Liquor License, to such designee, and to notify BluTaco in writing of such commencement. Such Licensed Party must promptly use all commercially reasonable efforts to obtain the necessary approvals from all governmental authorities for the prompt transfer or relocation of the Liquor License, at Franchisee's or such Licensed Party's sole cost and expense.

21.6.2 If Law does not permit the transfer or relocation of any Liquor License, BluTaco will have the right, but not the obligation, exercisable by written notice (the "Notice of Intent to Obtain New Liquor License") delivered to Franchisee by the end of ten (10) days after termination of this Agreement for any reason, or by the end of ten (10) days after the expiration of this Agreement without entry into a Replacement Franchise Agreement, to require Franchisee to assist BluTaco or BluTaco's designee to obtain a new Liquor License. Franchisee will have five (5) days after BluTaco delivers the Notice of Intent to Obtain New Liquor License to commence all procedures necessary to apply for a new Liquor License in BluTaco's name or the name of BluTaco's designee, and to notify BluTaco in writing of such commencement, at Franchisee's sole cost and expense. Licensed Party shall join and cooperate with BluTaco in promptly procuring a new Liquor License.

21.6.3 Licensed Party and BluTaco shall immediately fulfill all directives and requirements from all applicable authorities in order to expedite the transfer or relocation of the existing Liquor License or the acquisition of a new Liquor License.

21.6.4 Franchisee shall pay, or promptly arrange for the full payment of, all taxes of any nature or kind whatsoever, including without limitation property taxes, personal property taxes, sales, use, withholding, and any other taxes, that may affect title or the rights to any Liquor License in any way.

21.7 Damages for Termination of Agreement or Closure of Restaurant. Except as permitted by Section 20.1 of this Agreement, any termination of this Agreement prior to the expiration of the Initial Term, or any closure or cessation of operation of a Restaurant, will deprive BluTaco of the benefit of the bargain BluTaco is entitled to receive under this Agreement. As a result, Franchisee hereby covenants, warrants, represents, and agrees that: (i) if BluTaco terminates this Agreement prior to the expiration of the Initial Term; or (ii) if Franchisee closes or ceases to operate a Restaurant, but such closure or cessation of operation does not involve or is not accompanied by termination of this Agreement, then Franchisee will pay BluTaco actual damages equal to: (a) the loss of the benefit of the bargain BluTaco would have received had Franchisee fully performed its obligations; plus (b) BluTaco's out-of-pocket costs and expenses, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of appeal, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection; plus (c) such additional damages as BluTaco may demonstrate.

21.8 Liquidated Damages if Franchisee Breaches Obligations On Termination. Franchisee acknowledges and agrees that:

21.8.1 Any breach by Franchisee of its obligations set forth in Section 21.2.2 through Section 21.2.8 of this Agreement will deprive BluTaco of the full value of the System, will require BluTaco to bear additional costs and expenses, and will otherwise materially damage BluTaco. As a result, Franchisee will pay BluTaco, in addition to the amounts set forth in Section 21.7 of this Agreement, as liquidated damages for such breach, an amount equal to Two Hundred Fifty and No/100 Dollars ($250) per day multiplied by the then-current number of days that Franchisee is not in compliance with Section 21.2.2 through Section 21.2.8.

21.8.2 Any breach by Franchisee of its obligations set forth in Sections 21.3, 21.4, 21.5, or 21.6 of this Agreement will deprive BluTaco of the full value of the System, will damage the goodwill in the System, will damage BluTaco's ability to compete in the marketplace, will deprive BluTaco of revenue, will require BluTaco to bear additional costs and expenses, and will otherwise materially damage BluTaco. As a result, Franchisee will pay BluTaco, in addition to the amounts set forth in Sections 21.7 and 21.8.1 of this Agreement, as liquidated damages for each such breach, an amount equal to One Thousand Two Hundred Fifty and No/100 Dollars ($1,250) per day per breach of each of Sections 21.3, 21.4, 21.5, and 21.6.

21.9 Acknowledgments and Agreements; Increase in CPI; Injunctive Relief.

21.9.1 Acknowledgments and Agreements. Franchisee acknowledges and agrees, and Franchisee hereby directs any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to conclusively presume, that the damages set forth in Section 21.8 of this Agreement: (i) are true liquidated damages; (ii) are intended to compensate BluTaco for the damage BluTaco will suffer; (iii) are not a penalty for breaching this Agreement or for any other reason; (iv) are at the low end of the range of reasonable estimates of BluTaco's probable damage resulting from Franchisee's breaches, viewed as of the Effective Date of this Agreement; (v) will be in lieu of, and not in addition to, actual damages for loss of the benefit of the bargain that BluTaco is entitled to receive; and (vi) will, subject to Clause (v) above, be in addition to all other rights BluTaco has to legal or equitable or other relief.

21.9.2 Increase in Consumer Price Index. Franchisee acknowledges and agrees that BluTaco may adjust the amount of the liquidated damages set forth in Section 21.8 of this Agreement based on the increase, if any, in the Metropolitan Area Consumer Price Index for All Urban Consumers-All Items, published by the United States Department of Labor, Bureau of Labor Statistics, or any successor index, during the period beginning with the Effective Date of this Agreement, through most recent date that such increase is published prior to the date that BluTaco delivers its demand for payment of such liquidated damages.

21.9.3 Injunctive Relief. Franchisee acknowledges and agrees that any breach of Franchisee's obligations set forth in Section 21.2.2 through Section 21.2.8 of this Agreement, and any breach of Franchisee's obligations set forth in Sections 21.3, 21.4, 21.5, or 21.6 of this Agreement, will cause BluTaco irreparable harm, and that BluTaco has no adequate remedy at law for such breach in that money damages do not afford BluTaco complete relief. Therefore, Franchisee agrees that BluTaco, in addition to the damages set forth in Section 21.7, Section 21.8, and Section 21.10 of this Agreement, will have the right to injunctive relief, including without limitation a decree for specific performance, to compel Franchisee's compliance with Sections 21.2.2 through 21.2.8, and with Sections 21.3, 21.4, 21.5, or 21.6, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

21.10 Actual Damages. Notwithstanding anything set forth in Section 21.8 of this Agreement to the contrary, if applicable Law does not permit BluTaco to collect the liquidated damages set forth in

Section 21.8 of this Agreement, Franchisee will pay BluTaco actual damages equal to: (i) the loss of the benefit of the bargain BluTaco would have received had Franchisee fully performed its obligations; plus (ii) BluTaco's out-of-pocket costs and expenses, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of appeal, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection; plus (iii) such additional damages as BluTaco may demonstrate.

21.11 Payment of Damages. Franchisee will pay all amounts set forth in Section 21.7, Section 21.8, and Section 21.10 of this Agreement so that BluTaco actually receives each such payment by the end of ten (10) days after demand for such payment.

21.12 Delivery of Materials. Franchisee will deliver all materials required to be delivered by Franchisee under this Section 21 to BluTaco, expenses prepaid, free and clear of all charges and liens.

22. MISCELLANEOUS PROVISIONS

22.1 Additions or Improvements; Works Made for Hire. If Franchisee develops any addition or improvement to any aspect of the System, including without limitation any addition or improvement to the Products or Services, or any addition or improvement to any recipe, ingredient, design, training, rule, guideline, standard, specification, plan, program, procedure, Mark, or advertising or promotional program or material, or otherwise: (i) such addition or improvement shall be deemed to be a work made for hire, notwithstanding any designation of Franchisee in this Agreement as an independent contractor; and (ii) Franchisee shall immediately convey any such addition or improvement to BluTaco, and such addition or improvement shall become BluTaco's sole and exclusive property, which BluTaco may use, license for use, assign, modify, publish, or sell, all without payment of any compensation to Franchisee.

22.2 Delivery of Notices. All notices required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given: (i) when delivered in person by the other party; (ii) one (1) business day after being sent by reputable commercial courier service for next business day delivery; (iii) five (5) business days after being deposited in the United States mail for certified or registered delivery, return receipt requested, postage prepaid; or (iv) on the intended recipient's failure or refusal to accept delivery of any notice given pursuant to this Section 22.2, which failure or refusal shall be deemed constructive delivery effective on the earlier of the date of such refusal or the dates set forth in Clauses (i) through (iii) of this Section 22.2. UPS, Federal Express, and any successors thereto shall conclusively be deemed "reputable commercial courier services."

22.2.1 Notice to BluTaco.

22.2.1.1 Franchisee will address notice to BluTaco, where such notice is delivered by commercial courier service, to:

BluTaco Franchising, LLC
170 Commerce Drive
Holts Summit, Missouri 65043

22.2.1.2 Franchisee will address notice to BluTaco, where such notice is delivered by certified or registered U.S. Mail, to:

BluTaco Franchising, LLC
P.O. Box 160
Holts Summit, Missouri 65043

22.2.1.3 Franchisee must deliver a simultaneous written copy of any notice to BluTaco to:

Cameron McKinley, Esq.
Spadea Lignana, LLC
232 N. 2nd Street
Philadelphia, Pennsylvania 19106

22.2.1.4 Delivery of the copy set forth in Section 22.2.1.3 of this Agreement: (i) shall not constitute notice; and (ii) shall be an express condition precedent to the validity of any notice Franchisee delivers to BluTaco.

22.2.2 Notice to Franchisee.

22.2.2.1 BluTaco will direct notice to Franchisee to Franchisee's principal business address set forth on the Franchise Summary of this Agreement, to the attention of Franchisee (if Franchisee is an individual) or to the attention of Franchisee's President (if Franchisee is a business entity).

22.2.2.2 BluTaco will direct copies of notices to Franchisee to Franchisee's attorney or business advisor set forth in the Franchise Summary of this Agreement.

22.2.3 Other Addresses. Either party may designate another address or other addressees at any time by delivering written notice to the other as set forth in this Section 22.2.

22.3 Further Assurances. Franchisee hereby covenants, warrants, represents, and agrees that: (i) it will perform such acts, and will execute and deliver such agreements and other documents to BluTaco, as BluTaco may deem necessary or beneficial to effect the intent of this Agreement; (ii) it will not condition the performance of such acts or the execution and delivery of such agreements and other documents; (iii) it will not delay the performance of such acts; and (iv) it will deliver such agreements and other documents, duly notarized if BluTaco requires that such agreements and other documents be notarized, to BluTaco so that BluTaco actually receives such agreements and other documents by the end of ten (10) days after BluTaco delivers them to Franchisee for execution.

22.4 Force Majeure. In the event of an act of God, terror, war, insurrection, civil commotion, strike, slowdown, lockout, or embargo; or lack of fuel, other materials, or telephone transmissions specified or reasonably necessary in connection with the Franchised Business or the System; or fire, unavoidable casualties, and any other occurrence, event, or condition beyond the reasonable control of Franchisee or BluTaco, whichever is applicable (a "Force Majeure"), Franchisee or BluTaco, as applicable, will be relieved of Franchisee's or BluTaco's respective obligations to the extent that Franchisee or BluTaco is necessarily prevented, or materially hindered or delayed, in such performance during the period of such Force Majeure. The party whose performance is affected by a Force Majeure shall give prompt, written notice to the other party of such Force Majeure.

22.5 Estoppel Certificates. From time to time, on BluTaco's request, Franchisee will duly complete, execute, and deliver to BluTaco an estoppel certificate in substantially the form attached to this Agreement as Schedule i (the "Estoppel Certificate"). Franchisee will deliver a duly completed, executed original of each such Estoppel Certificate so that BluTaco actually receives such Estoppel Certificate by the end of ten (10) days after BluTaco delivers it to Franchisee for execution. Franchisee hereby directs any third party deciding any allegation by Franchisee that BluTaco breached this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to conclusively presume that if Franchisee certified in the Estoppel Certificate that BluTaco was not in breach of this Agreement, then BluTaco was not in breach of this Agreement as of the date of such Estoppel Certificate.

22.6 Resolution of Disputes.

22.6.1 Litigation. In the event of any dispute arising out of or related to this Agreement, including without limitation any dispute arising out of or related to the making of this Agreement, such dispute shall be resolved exclusively through litigation. Such litigation shall be conducted on an individual, not a class-wide, basis. No litigation under this Agreement may be consolidated with any other litigation involving BluTaco and any other person without BluTaco's prior written consent.

22.6.2 Contractual Repose and Limitations Periods. A party that has any claim against the other shall have the lesser of: (i) two (2) years from the date such claim accrued (the "Repose Period"); or (ii) one (1) year from the date the first party became aware of, or with reasonable diligence should have become aware of, the facts giving rise to such claim (the "Limitations Period"), within which to settle such claim or to commence a legal action with respect to such claim, or such claim shall be barred. A counterclaim, crossclaim, or affirmative defense shall be barred if the Repose Period or Limitations Period, as applicable, would bar such counterclaim, crossclaim, or affirmative defense, if the basis for such counterclaim, crossclaim, or affirmative defense were raised as an independent "claim." Notwithstanding anything set forth in this Section 22.6.2 to the contrary, such Repose Period and Limitations Period shall not: (a) apply to; (b) preclude claims, counterclaims, crossclaims, or affirmative defenses regarding; or (c) otherwise bar or limit, BluTaco's rights arising out of or related to amounts Franchisee owes BluTaco.

22.6.3 Waiver or Delay. Except as otherwise set forth in Section 22.6.2 of this Agreement, no waiver or delay by either party in requiring strict compliance with respect to any obligation of this Agreement, or in the exercise of any right or remedy provided in this Agreement, and no custom or practice at variance with the requirements of this Agreement: (i) shall constitute a waiver or modification of any such obligation, right, remedy, or requirement; (ii) shall preclude, affect, or impair the exercise of any such right or remedy; (iii) shall preclude, affect, or impair the right to require strict compliance with any obligation or requirement set forth in this Agreement; or (iv) shall preclude, affect, or impair enforcement of any obligation, right, remedy, or requirement provided in this Agreement. All remedies under this Agreement, at law, in equity, or otherwise, afforded to either party, shall be cumulative and not alternative, and may be exercised simultaneously or sequentially in any order.

22.6.4 Governing Law. Except as otherwise set forth in this Agreement, the existence, validity, construction, enforcement, and sufficiency of performance of this Agreement shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Delaware applicable to agreements made and to be entirely performed within the State of Delaware, which laws shall prevail in the event of any conflict of laws. Notwithstanding the foregoing, all litigation hereunder, to the extent governed by the United States Trademark Act of 1946, shall be governed by such Trademark Act of 1946. Franchisee and BluTaco expressly agree that this Agreement has been made in the State of Delaware.

22.6.5 Forum, Venue, and Jurisdiction. In the event of any litigation arising out of or related to this Agreement, including without limitation any litigation arising out of or related to the making of this Agreement, the exclusive forum and venue for such litigation shall be a state or federal court having jurisdiction over the subject matter in or for the city or county where BluTaco's principal place of business is located. Franchisee hereby irrevocably accepts and submits to, generally and unconditionally, for itself and with respect to Franchisee's property, the exclusive jurisdiction of any such court in any such action or proceeding and hereby waives all defenses based on jurisdiction, venue, and forum non conveniens.

22.6.6 Waiver of Trial by Jury. BLUTACO AND FRANCHISEE HEREBY WAIVE TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATED TO: (I) THIS AGREEMENT; AND (II) THE RELATIONSHIP BETWEEN THE PARTIES.

22.6.7 Attorneys' Fees. In the event of any dispute arising out of or related to this Agreement, including without limitation any dispute arising out of or related to the making of this Agreement, the non-prevailing party shall pay the prevailing party, on demand, such prevailing party's costs, including without limitation such prevailing party's reasonable attorneys' fees and costs, and further including without limitation such prevailing party's reasonable attorneys' fees and costs of appeal, and further including without limitation such prevailing party's reasonable attorneys' fees and costs of collection, all of which shall be taxed as costs, so that the prevailing party actually receives such amounts by the end of ten (10) days after demand therefor. In the event of any breach of this Agreement, the breaching party shall pay the non-breaching party such non-breaching party's costs related to such breach, including without limitation such non-breaching party's reasonable attorneys' fees and costs, and further including without limitation such non-breaching party's reasonable attorneys' fees and costs of collection, so that the non-breaching party actually receives such amounts by the end of ten (10) days after demand therefor.

22.6.8 Continuation After Termination or Expiration. The provisions set forth in this Section 22.6 shall remain in full force and effect after the termination or expiration of this Agreement.

23. ACKNOWLEDGMENTS

23.1 Limitation on Parties to Obligations.

23.1.1 BluTaco's Obligations Are Owed to Franchisee Only. Franchisee acknowledges and agrees that: (i) all obligations BluTaco owes under this Agreement are owed to Franchisee only; and (ii) no other person or entity, including without limitation Franchisee's affiliates, and Franchisee's and such affiliates' directors, officers, shareholders, partners, members, employees, and agents, and the predecessors, successors, heirs, and assigns of any of them, shall be entitled to rely on, enforce, or obtain relief for breach of, any of BluTaco's obligations arising out of or related to this Agreement, whether directly, indirectly, by subrogation, as an intended third-party beneficiary, or otherwise.

23.1.2 Obligations to Franchisee Are Owed by BluTaco Only. Franchisee acknowledges and agrees that: (i) all obligations of BluTaco under this Agreement are owed by BluTaco only; and (ii) no other person or entity, including without limitation BluTaco's officers, members, employees, agents, and attorneys, and BluTaco's affiliates and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the predecessors, successors, heirs, and assigns of any of them, shall be subject to liability under this Agreement.

23.2 BluTaco's Right to Receive Revenue from Purchases.

23.2.1 Franchisee acknowledges and agrees that BluTaco and BluTaco's affiliates shall have the right to enter into agreements with third parties, including without limitation suppliers and distributors of Products and Services, Proprietary Products, Non-Proprietary Products, and other products, equipment, services, supplies, and merchandise, pursuant to which agreements BluTaco and BluTaco's affiliates may derive revenue and profits, and other benefits, such as rebates, discounts, and allowances, as a result of purchases BluTaco requires Franchisee to make from such third parties.

23.2.2 Franchisee acknowledges and agrees that BluTaco may require Franchisee to purchase Products and Services, Proprietary Products, Non-Proprietary Products, and other products, equipment, services, supplies, and merchandise, from BluTaco and BluTaco's affiliates, and that BluTaco and BluTaco's affiliates may derive revenue, profits, and other benefits from purchases BluTaco requires Franchisee to make from BluTaco and such affiliates.

23.2.3 Franchisee acknowledges and agrees that all revenue, profits, and other benefits set forth in Section 23.2.1 and Section 23.2.2 of this Agreement shall be the sole and exclusive property of BluTaco and BluTaco's affiliates, and that Franchisee shall not have any rights to such revenue, profits, and other benefits.

23.3 Business Risks. Franchisee acknowledges and agrees that Franchisee has conducted an independent investigation of the business contemplated by this Agreement, recognizes that it involves business risks, and recognizes that making a success of the Franchised Business depends largely on Franchisee's own business abilities.

23.4 Review of Documents. Franchisee acknowledges and agrees that: (i) BluTaco's review of any lease or other agreement Franchisee proposes to enter into is intended solely to ensure that BluTaco's interests are adequately protected; (ii) BluTaco is not undertaking any such review on Franchisee's behalf or for Franchisee's benefit; (iii) BluTaco's review will not replace review by Franchisee and Franchisee's accountants, attorneys, and other business advisors; and (iv) BluTaco will have no responsibility or liability related to such review.

23.5 Variances. Franchisee acknowledges and agrees that: (i) BluTaco may from time to time approve exceptions or modifications to the standards and specifications of the System as to one or more other franchisees, principals, or otherwise (including without limitation exceptions or modifications to the amount and payment terms of any fee) that BluTaco deems necessary or desirable under the particular circumstances (such exceptions or modifications being referred to in this Agreement as the "Variances"); (ii) Franchisee will have no right to require BluTaco to disclose any Variances to Franchisee or to grant Franchisee the same or similar Variances; and (iii) other franchisees, whether existing now or in the future, may operate under different forms of agreements, and as a result their rights and obligations may differ materially from Franchisee's.

24. CONSTRUCTION OF AGREEMENT

24.1 Reasonable Business Judgment. As noted in Section 2.4 of this Agreement, BluTaco acknowledges and agrees that BluTaco will, and Franchisee acknowledges and agrees that BluTaco may, use Reasonable Business Judgment in the exercise of BluTaco's rights, discharge of BluTaco's obligations, and exercise of BluTaco's discretion under this Agreement, and in all circumstances where BluTaco is required to give its consent, unless this Agreement expressly provides some other standard. "Reasonable Business Judgment" shall mean that BluTaco's determinations and choices shall prevail, even if other alternatives are also reasonable or arguably preferable, if BluTaco intends to benefit, or is acting in a way that could benefit, the System (by, for example, enhancing the value of the Marks, increasing franchisee or guest satisfaction, or increasing BluTaco's financial strength); or if BluTaco intends to prevent harm to, or is acting in a way that could prevent harm to, the System (by, for example, minimizing possible confusion as to the Marks or the location of any restaurant, protecting the public, or protecting Franchisee's or BluTaco's personnel). Franchisee agrees to this concept of Reasonable Business Judgment in acknowledgment of the fact that BluTaco should have at least as much discretion in administering the System as a corporate board of directors has in directing a corporation and because the long-term interests of the System, all franchisees and owners of franchised businesses in the System, and BluTaco and BluTaco's owners, taken together, require that BluTaco have the latitude to exercise Reasonable Business Judgment. BluTaco shall not be required to consider a franchisee's particular economic or other circumstances or to slight BluTaco's own economic or other business interests when BluTaco exercises

Reasonable Business Judgment. Franchisee acknowledges and agrees that: (i) BluTaco has a legitimate interest in seeking to maximize the return to BluTaco's equityholders; and (ii) the fact that BluTaco benefits economically from an action shall not be relevant to showing that BluTaco did not exercise Reasonable Business Judgment. Neither Franchisee nor any third party (including without limitation any court, mediator, master, or other party acting as trier of fact or law) may substitute his, her, or its judgment for BluTaco's Reasonable Business Judgment. In a given situation, Franchisee shall have the burden of establishing, by clear and convincing proof, that BluTaco failed to exercise Reasonable Business Judgment.

24.2 Time is of the Essence. Time is of the essence to the performance of all obligations of the parties to be performed under this Agreement.

24.3 Calculation of Days. Except where this Agreement expressly requires "business days" in any calculation of time, all references to "days" shall mean "calendar days."

24.4 Merger; Entire Agreement. This Agreement, including the schedules, exhibits, addenda, and attachments to this Agreement, is a complete integration that sets forth the entire agreement between Franchisee and BluTaco, fully superseding any and all prior negotiations, agreements, representations, and understandings between Franchisee and BluTaco, whether oral or written, related to the subject matter of this Agreement. Franchisee and BluTaco hereby expressly agree that there are no other oral or written agreements, "side-deals," arrangements, or understandings between Franchisee and BluTaco except as expressly set forth in this Agreement. No course of dealing, whether occurring before or after the Effective Date of this Agreement, shall operate to amend, modify, terminate, or waive any express written provision of this Agreement. Nothing set forth in this Agreement or in any related agreement is intended to disclaim representations made in the Franchise Disclosure Document that BluTaco delivered to Franchisee prior to the Effective Date of this Agreement.

24.5 Amendments to Agreement. Except as otherwise expressly set forth in this Agreement, this Agreement may be amended only by a written agreement signed by officers of Franchisee and BluTaco.

24.6 Successors. Subject to the restrictions on transfer set forth in Section 18 of this Agreement, this Agreement shall be binding on, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties.

24.7 No Implied Covenant. Franchisee and BluTaco have negotiated the provisions of this Agreement and agree that neither party will claim the existence of an implied covenant of good faith and fair dealing to contravene or limit any express written provision of this Agreement.

24.8 Partial Invalidity. If any provision of this Agreement is declared invalid or unenforceable by a court having jurisdiction over the parties and the subject matter, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of the Agreement shall remain in full force and effect, and the parties agree that they would have signed this Agreement as so modified.

24.9 Interpretation.

24.9.1 The Recitals to this Agreement shall be construed as a material and enforceable part of this Agreement for all purposes, and shall in no event be considered prefatory material or mere surplusage.

24.9.2 The table of contents and section headings in this Agreement are inserted for convenience only and shall not affect the meaning or construction of this Agreement.

24.9.3 Except as otherwise set forth in this Agreement, the language of this Agreement shall be construed simply according to its fair meaning and not strictly for or against either party.

24.9.4 Both parties are skilled and experienced business professionals, and both have contributed to the negotiation and drafting of this Agreement. As a result, in no event may any adverse construction of this Agreement be attributed to either party as the drafting party.

24.9.5 "Herein," "hereof," "hereunder," and similar references refer to this Agreement as a whole and not to any particular part.

24.9.6 Words importing the singular number shall include the plural and vice-versa, and words importing the masculine gender shall include the feminine and neuter genders and vice-versa.

24.9.7 The word "including" means "including without limiting the scope or generality of" any requirement or description related to such word.

24.9.8 Where this Agreement uses the word "expressly," it means that the matter at issue must be stated with specificity, and not left to inference or implication.

24.9.9 References to documents, instruments, or agreements shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

24.10 Survival of Obligations. All obligations of this Agreement, whether Franchisee's or BluTaco's, that expressly or by their nature require performance after the termination or expiration of this Agreement, or that by their nature would reasonably be expected to continue in effect after termination or expiration of this Agreement, including without limitation the Spousal Guaranty attached to this Agreement as Schedule C, the Confidentiality Agreement attached to this Agreement as Schedule E, the Individual Confidentiality Agreement attached to the Confidentiality Agreement as Schedule D, the Covenant Not to Compete attached to this Agreement as Schedule E, and the Internet Advertising, Social Media, Software and Telephone Account Agreement attached to this Agreement as Schedule F, shall continue in full force and effect after and notwithstanding this Agreement's termination or expiration, until they are satisfied in full or by their nature expire.

24.11 Submission of Agreement. Submission of this Agreement to Franchisee does not constitute an offer to enter into a contract. This Agreement shall become effective only on its execution by Franchisee and BluTaco, and shall not be binding on BluTaco unless and until it is signed by BluTaco's authorized officer and delivered to Franchisee.

IN WITNESS WHEREOF, the parties to this Agreement, intending to be legally bound hereby, have duly executed and delivered this Agreement as of the Effective Date.

BLUTACO:	**FRANCHISEE:**
BLUTACO FRANCHISING, LLC	
By: ________________________	By: ________________________
Shawn Burcham	
Title: Chief Executive Officer	Title:

SCHEDULE A

FRANCHISEE'S DEVELOPMENT AREA, OWNERSHIP, AND RELATED MATTERS

FRANCHISEE'S DEVELOPMENT AREA, OWNERSHIP, AND RELATED MATTERS

1. **Development Area**.

Franchisee's Development Area shall be all that area within:

as the borders of such Development Area are configured as of the Effective Date of the Franchise Agreement.

2. **Territory**.

Franchisee's Territory shall consist of the following:

____

Franchised Business Address:

____
____
____

3. **Ownership**. Name and address of each of Franchisee's Principals, and percentage of equity each such Principal owns or holds:

________________________________	________________________________
________________________________	________________________________
________________________________	________________________________
________________________________	________________________________
________________________________	________________________________
Percent of Equity Owned or Held: _________%	Percent of Equity Owned or Held: _________%
________________________________	________________________________
________________________________	________________________________
________________________________	________________________________
________________________________	________________________________
________________________________	________________________________
Percent of Equity Owned or Held: _________%	Percent of Equity Owned or Held: _________%

SCHEDULE B

OPTION ADDENDUM

OPTION ADDENDUM

THIS OPTION ADDENDUM (the "Option Addendum") is made and entered into the ______ day of __________________, 20____ (the "Effective Date"), by and between BluTaco Franchising, LLC, a Delaware limited liability company ("BluTaco"), and _____________ __________________________, a ___________ _____________________ ("Franchisee").

RECITALS

A. BluTaco is the franchisor and Franchisee is the franchisee under that certain BluTaco® franchise agreement between Franchisee and BluTaco of even date with this Option Addendum (such franchise agreement, together with all schedules, exhibits, addenda, attachments, and amendments to it, being referred to collectively in this Option Addendum as the "Franchise Agreement").

B. Franchisee and BluTaco mutually desire to enter into this Option Addendum, to grant Franchisee the right to develop, open, and operate the additional BluTaco restaurants (the "Additional Restaurants") set forth in the table contained in Section 4 of this Option Addendum (the "Development Schedule") under the Franchise Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Option Addendum, and in further consideration of the Franchise Agreement and the mutual promises and commitments set forth therein, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties to this Option Addendum hereby agree as follows:

1. **Grant of Right to Develop, Open, and Operate Additional Restaurants**. BluTaco hereby grants to Franchisee, and Franchisee hereby accepts from BluTaco, the option to develop, open, and operate the Additional Restaurants set forth in the Development Schedule, within the territory set forth on Exhibit A to this Option Addendum (the "Option Territory"), under the Franchise Agreement, as set forth in the Franchise Agreement and this Option Addendum (collectively, the "Option").

2. **Option Deposit**. Franchisee will pay BluTaco a deposit (the "Option Deposit") in the amount set forth in the Franchise Summary of the Franchise Agreement for each Additional Restaurant set forth in the Development Schedule, contemporaneously with Franchisee's delivery of this Option Addendum, executed by Franchisee, to BluTaco. All Option Deposits that Franchisee is obligated to pay BluTaco under this Option Addendum shall be deemed fully earned and nonrefundable on BluTaco's execution of this Option Addendum, in consideration of BluTaco's grant of the rights set forth in this Option Addendum, BluTaco's costs and expenses related to this Option Addendum, and otherwise.

3. **Option Fee**. Franchisee will pay BluTaco a fee (the "Option Fee") in the amount set forth in the Franchise Summary of the Franchise Agreement for each Option that Franchisee exercises pursuant to this Option Addendum, contemporaneously with Franchisee's exercise of such Option, as set forth in Section 6.1 of this Option Addendum.

4. **Time Periods**. The Option to develop, open, and operate each Additional Restaurant shown in the Development Schedule may be exercised by Franchisee only by the end of the Latest Exercise Date that applies to such Option, which Latest Exercise Date is shown in the Development Schedule as follows:

Development Schedule		
Additional Restaurant No.	**Latest Exercise Date (On or Before)**	**Latest Opening Date (On or Before)**
1		
2		
3		
4		
5		

5. **Option Territory**. The site of any Additional Restaurant as to which Franchisee exercises an Option must be within the Option Territory.

6. **Exercise of Option**.

6.1 To exercise an Option, Franchisee must deliver to BluTaco: (i) written notice that Franchisee is exercising the Option; and (ii) the Option Fee for such Option, so that BluTaco actually receives such notice and Option Fee by the end of the Latest Exercise Date that applies to such Option.

6.2 If Franchisee fails to exercise any Option by the end of the Latest Exercise Date that applies to such Option, or if Franchisee fails to open any Additional Restaurant by the end of the Latest Opening Date that applies to such Option, or if Franchisee fails to perform any other act set forth in Section 6.1 of this Option Addendum by the end of the date required: (i) such failure shall be conclusively deemed to be an election by Franchisee not to exercise any of Franchisee's remaining Option rights set forth in this Option Addendum; (ii) all of Franchisee's rights set forth in this Option Addendum shall expire automatically and without further notice; and (iii) BluTaco shall have the right to retain all Option Deposits and Option Fees that Franchisee paid.

6.3 Provided Franchisee exercises an Option in the manner described in Section 6.1 of this Option Addendum, and on BluTaco's approval of the Proposed Site in accordance with Section 6 of the Franchise Agreement, BluTaco will deliver to Franchisee an addendum to the Franchise Agreement designating such Proposed Site as an Approved Location, as defined in the Franchise Agreement, in the form attached to this Option Addendum as Exhibit B or in BluTaco's then-current form (the "Approved Location Addendum"). Franchisee will duly execute the Approved Location Addendum, and will deliver the duly-executed Approved Location Addendum to BluTaco, so that BluTaco actually receives such Approved Location Addendum by the end of ten (10) days after BluTaco delivers such Approved Location Addendum to Franchisee.

7. **Conditions Precedent to Exercise of Option**.

7.1 Franchisee's right to exercise an Option to develop, open, and operate an Additional Restaurant pursuant to this Option Addendum is expressly subject to Franchisee's satisfaction of the following conditions precedent:

7.1.1 At the time Franchisee desires to exercise any such Option, Franchisee must be in compliance with all provisions of: (i) the Franchise Agreement; and (ii) all other agreements to which BluTaco or any of BluTaco's affiliates on the one hand, and Franchisee or any of Franchisee's affiliates on the other hand, are parties.

7.1.2 Franchisee must have substantially complied with all of the provisions of the Franchise Agreement during so much of the Term of the Franchise Agreement as has expired.

7.1.3 Franchisee and all of Franchisee's affiliates must have substantially complied with all provisions of all other agreements to which BluTaco or any of BluTaco's affiliates on the one hand, and Franchisee or any of Franchisee's affiliates on the other hand, are parties, during the terms of such other agreements.

7.2 If the Franchise Agreement is terminated or expires, the grant of rights set forth in Section 1 of this Option Addendum shall automatically terminate or expire simultaneously with such termination or expiration of the Franchise Agreement, and BluTaco shall have the right to retain all Option Deposits and Option Fees that Franchisee paid.

8. **Franchise Agreement**. On Franchisee's and BluTaco's execution of the Approved Location Addendum, Franchisee and BluTaco will be bound by all provisions of the Franchise Agreement as to the Additional Restaurant that is specified in the Approved Location Addendum; provided, however, notwithstanding anything set forth in the Franchise Agreement to the contrary: (i) the Opening Date of any Additional Restaurant shall be the Latest Opening Date set forth in the Development Schedule, and not the Opening Date set forth in Section 8.1 of the Franchise Agreement; and (ii) the Initial Term of the Franchise as to such Additional Restaurant shall be fifteen (15) years from the Latest Opening Date set forth in the Development Schedule, and not fifteen (15) years from the Effective Date of the Franchise Agreement.

9. **No Franchise Conveyed**.

9.1 Franchisee is a franchisee of BluTaco. Franchisee hereby acknowledges and agrees that the exercise of an Option under this Option Addendum: (i) is not the sale of a franchise; (ii) is not a grant of new franchise rights; (iii) is the addition to the existing Franchise Agreement of the Restaurant that relates to such Option; and (iv) as a result of the matters set forth in Clauses (i), (ii), and (iii) of this Option Addendum, is outside the scope of any and all laws governing franchise disclosure.

9.2 Franchisee hereby covenants, warrants, represents, and agrees that Franchisee will not: (i) make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand; (ii) commence, or cause or permit to be commenced; (iii) prosecute, or cause or permit to be prosecuted; or (iv) assist or cooperate in the commencement or prosecution of, any suit or action at law or in equity or otherwise, any arbitration or like proceeding, or any administrative or agency proceeding, against or related to BluTaco or its affiliates, or BluTaco's or such affiliates' directors, officers, shareholders, partners, members, employees, agents, or attorneys, alleging any matter contrary to any acknowledgment or agreement set forth in Section 9.1 of this Option Addendum.

10. **Transfer of Interest**. In the event of a Transfer of the Franchise Agreement or the Franchise in compliance with the Franchise Agreement, this Option Addendum shall also be transferred to the permitted transferee. In the event of any purported Transfer of any Interest that does not comply with the Franchise Agreement, BluTaco shall have the right to terminate this Option Addendum on notice of such termination to Franchisee or the purported transferee, which termination shall be deemed to have occurred on the date of such purported Transfer, the date of such notice, or such other date as BluTaco may reasonably specify.

11. **Waiver or Delay**. No waiver or delay by BluTaco in requiring strict compliance with any obligation of this Option Addendum, or in the exercise of any right or remedy provided in this Option Addendum, and no custom or practice at variance with the requirements of this Option Addendum: (i) shall constitute a waiver or modification of any such obligation, right, remedy, or requirement; (ii) shall preclude, affect, or impair the exercise of any such right or remedy; (iii) shall preclude, affect, or impair the right to

require strict compliance with any obligation or requirement set forth in this Option Addendum; or (iv) shall preclude, affect, or impair enforcement of any obligation, right, remedy, or requirement provided in this Option Addendum with respect to any subsequent breach.

12. **Merger; Entire Agreement**. This Option Addendum, including the schedules, exhibits, addenda, and attachments to this Option Addendum, is a complete integration that sets forth the entire agreement between Franchisee and BluTaco, fully superseding any and all prior negotiations, agreements, representations, and understandings between Franchisee and BluTaco, whether oral or written, related to the subject matter of this Option Addendum. Franchisee and BluTaco hereby expressly agree that there are no other oral or written agreements, "side-deals," arrangements, or understandings between Franchisee and BluTaco except as expressly set forth in this Option Addendum. No course of dealing, whether occurring before or after the Effective Date of this Option Addendum, shall operate to amend, modify, terminate, or waive any express written provision of this Option Addendum.

13. **Amendment to Option Addendum**. This Option Addendum may not be amended orally, but may be amended only by a written agreement signed by officers of the parties.

14. **Resolution of Disputes**. Any and all disputes arising out of or related to this Option Addendum, including without limitation any and all disputes arising out of or related to the making of this Option Addendum, shall be governed exclusively by the provisions set forth in Section 22.6 ("Resolution of Disputes") of the Franchise Agreement, which Section 22.6 is hereby incorporated by this reference into this Option Addendum as if fully set forth herein.

15. **Miscellaneous**.

15.1 Definitions. Capitalized terms used but not otherwise defined in this Option Addendum shall have the same meanings as are ascribed to them in the Franchise Agreement.

15.2 Notices. Any notice required or permitted to be given hereunder shall be in writing and shall be delivered exclusively in the manner set forth in Section 22.2 ("Notices") of the Franchise Agreement, which Section 22.2 is hereby incorporated by this reference into this Option Addendum as if fully set forth herein.

15.3 Time is of the Essence. Time is of the essence to the exercise of all of Franchisee's rights, and to the performance of all of Franchisee's obligations, arising out of or related to this Option Addendum.

16. **Submission of Option Addendum**. Submission of this Option Addendum to Franchisee does not constitute an offer to enter into a contract. This Option Addendum shall not be binding on BluTaco until it has been signed by an officer of BluTaco and has been delivered to Franchisee.

IN WITNESS WHEREOF, the parties to this Option Addendum, intending to be legally bound by this Option Addendum, have duly executed and delivered this Option Addendum as of the Effective Date.

BLUTACO:	**FRANCHISEE:**
BLUTACO FRANCHISING, LLC	
By: ____________________________	By: ____________________________
Shawn Burcham	
Title: Chief Executive Officer	Title:

OPTIONED FRANCHISE TERRITORY

1. **Option Territory**. Franchisee's Option Territory shall be all that area within:

as the borders of such Option Territory are configured as of the Effective Date of this Option Addendum, less the exclusive territories that BluTaco grants any BluTaco restaurants in such Option Territory.

2. **Option Territory is Nonexclusive**. Franchisee and BluTaco specifically agree that such Option Territory is granted to Franchisee on a nonexclusive basis. BluTaco may develop, open, and operate, and may authorize others to develop, open, and operate, BluTaco restaurants in any part of the Option Territory that BluTaco deems appropriate, without payment of any compensation to Franchisee.

3. **Territory; Effect of Territory on Option Territory**. At such time as Franchisee and BluTaco execute Exhibit B ("Approved Location Addendum") to this Option Addendum as to an Additional Restaurant specified in the Development Schedule set forth in Section 4 of this Option Addendum, or at such time as Franchisee opens an Additional Restaurant specified in the Development Schedule, whichever is earlier, the Franchise Agreement with respect to such Additional Restaurant, which Franchise Agreement grants Franchisee a Territory that consists of a one (1) mile radius around each such Additional Restaurant, shall control, and the Option Territory as to such Additional Restaurant shall expire automatically and without further notice.

4. **Reversion**. At such time as Franchisee develops the last Additional Restaurant shown in the Development Schedule, or on the termination or expiration of the Option Addendum, whichever occurs first, all parts of the Option Territory that are not within the Territory of any of Franchisee's Restaurants shall revert automatically and without further notice to Franchisee.

Accepted and agreed to as of the Effective Date of this Option Addendum.

BLUTACO:	**FRANCHISEE:**
BLUTACO FRANCHISING, LLC	
By: ______________________	By: ______________________
Shawn Burcham	
Title: Chief Executive Officer	Title:

APPROVED LOCATION ADDENDUM

Address: ___________________________________
____
____
____
____

Date of Approval: ____________________, 20____

BLUTACO:	**FRANCHISEE:**
BLUTACO FRANCHISING, LLC	
By: ___________________________________	By: ___________________________________
Shawn Burcham	
Title: Chief Executive Officer	Title:

SCHEDULE C

GUARANTY

GUARANTY

This Guaranty and Covenant (this "Guaranty") is given by the undersigned ("Guarantor") on_________________ to BluTaco Franchising, LLC a Delaware limited liability company ("Franchisor"), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the "Franchisee Agreement") with ____, a(n)_________ __________________________, _______________________________________ and ________________ ____________________(collectively "Franchisee").

Guarantor acknowledges that Guarantor is the spouse of Franchisee's Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections 14.10, 18.5.1.1, 20.4.2 and 21.2.8 of the Franchise Agreement ("Guaranteed Obligations"). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

____

Print Name: ____________________________________

SCHEDULE D

CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into the ______ day of __________________, 20____ (the "Effective Date"), by and between BluTaco Franchising, LLC, a Delaware limited liability company ("BluTaco"), and _____________ ____________________________, a ___________ _____________________ ("Franchisee").

RECITALS

A. Franchisee and BluTaco are entering into a BluTaco® franchise agreement contemporaneously with and as a material part of the same transaction as this Agreement (such franchise agreement, together with all schedules, exhibits, addenda, attachments, and amendments to it, being referred to collectively in this Agreement as the "Franchise Agreement").

B. BluTaco would not enter into such Franchise Agreement without Franchisee's agreement to enter into, be bound by, and comply with, this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and in further consideration of the Franchise Agreement and the mutual promises and commitments set forth therein, and in further consideration of Ten and No/100 Dollars ($10.00) in-hand paid to Franchisee, and for other good and valuable consideration, the receipt and sufficiency of all of which Franchisee hereby acknowledges, the parties hereby agree as follows:

1. **Definitions**. As used in this Agreement:

1.1 Specific Definitions.

1.1.1 Confidential Information. "Confidential Information" shall mean any information that BluTaco discloses to Franchisee that BluTaco designates as confidential; or that, by its nature, would reasonably be expected to be held in confidence or kept secret, whether such disclosure occurred before or after the Effective Date of this Agreement. Without limiting the definition of "Confidential Information," all of the following shall conclusively be deemed to be "Confidential Information" whether or not BluTaco designates them as such: (i) all information that BluTaco has marked or designated as confidential; (ii) BluTaco's Operations Manual, together with all similar directives and documentation; (iii) BluTaco's training programs and the material contained in them; (iv) BluTaco's rules, guidelines, standards, specifications, plans, programs, and procedures; (v) BluTaco's cost information; and (vi) all other information that BluTaco provides to Franchisee in confidence, except where such information is a Trade Secret.

1.1.2 Trade Secret. "Trade Secret" shall mean information that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who may obtain economic value from its disclosure or use, whether Franchisee obtained such information before or after the Effective Date of this Agreement. Without limiting the definition of "Trade Secret," all of the following shall conclusively be deemed to be "Trade Secrets" whether or not BluTaco designates them as such: (i) all guest lists; (ii) the contact information of such guests; (iii) BluTaco's food and beverage recipes, lists of ingredients, preparation instructions, and serving instructions; (iv) BluTaco's advertising, marketing, and public relations strategies; (v) BluTaco's marketing analyses; (vi) products and services that BluTaco proposes to introduce, but that it has not yet introduced; and (vii) BluTaco's expansion plans.

1.1.3 Obligors. "Obligors" shall mean, collectively: (i) Principal(s); (ii) Franchisee's Managers; (iii) Franchisee's other management personnel; (iv) all personnel Franchisee employs or otherwise engages who have received or will receive Principal Training, Manager Training, or similar training in the System; (v) Franchisee's directors and officers; (vi) any other personnel, agents, or representatives having access to any of BluTaco's Confidential Information or Trade Secrets; and (vii) other personnel BluTaco specifies.

1.2 Limitation. The terms "Confidential Information" and "Trade Secrets" shall not include, regardless of the means of disclosure: (i) information generally known to the trade or the public at the time BluTaco discloses it to Franchisee; (ii) information that becomes known to the trade or the public after BluTaco discloses it to Franchisee, unless it becomes known due to Franchisee's breach of this Agreement; and (iii) information Franchisee can prove was known to Franchisee at the time BluTaco disclosed it to Franchisee. Notwithstanding the foregoing, Franchisee acknowledges and agrees that although some of the information contained in the Confidential Information and Trade Secrets may already be known by Franchisee or its personnel or be in the public domain, BluTaco has prepared compilations of such information at BluTaco's considerable effort and expense, and as a result such compilations shall be "Confidential Information" and "Trade Secrets" despite such knowledge of Franchisee or its personnel and despite the presence of such information in the public domain.

1.3 Other Definitions. Capitalized terms used but not otherwise defined in this Agreement shall have the same meanings as are ascribed to them in the Franchise Agreement.

2. **Ownership; Acknowledgements; Protection; Modifications**.

2.1 Ownership of Confidential Information and Trade Secrets. Franchisee acknowledges and agrees that: (i) BluTaco owns the Confidential Information and Trade Secrets; and (ii) such Confidential Information and Trade Secrets are and shall remain BluTaco's sole and exclusive property.

2.2 Acknowledgments. Franchisee acknowledges and agrees that:

2.2.1 The Confidential Information and Trade Secrets are expressly copyrighted by copyright notice and are hence protected under the U.S. Copyright Act, or they are unmarked works nonetheless protected under the U.S. Copyright Act.

2.2.2 The Confidential Information and Trade Secrets contain BluTaco's commercially valuable confidential information and trade secrets.

2.2.3 BluTaco has made and will continue to make substantial investment in the Confidential Information and Trade Secrets, which investment may be recouped only if BluTaco's rights set forth in the provisions of the Franchise Agreement governing the protection of BluTaco's intellectual property, BluTaco's rights set forth in this Agreement, BluTaco's rights set forth in the confidentiality agreement for individuals in the form attached to this Agreement as Schedule D (the "Individual Confidentiality Agreement"), BluTaco's rights established by Law, and BluTaco's other rights arising out of or related to BluTaco's intellectual property, are honored.

2.2.4 The Confidential Information and Trade Secrets are not, by definition, generally known in the trade; that they are beyond Franchisee's present skill and experience; and that for Franchisee to develop such Confidential Information and Trade Secrets on its own would be expensive, time-consuming, and difficult.

2.2.5 The Confidential Information and Trade Secrets would, if disclosed to a third party or used by Franchisee in breach of this Agreement, provide the third party or Franchisee with an unfair competitive advantage, and that they would be economically valuable to the third party or Franchisee in the development of a competing business and otherwise.

2.3 Protection of Confidential Information and Trade Secrets. In recognition of, acknowledgment of, and agreement with, the Recitals, Section 1, Section 2.1, and Section 2.2 of this Agreement, and in consideration of the consideration set forth in the Recitals and other provisions of this Agreement, Franchisee covenants, warrants, represents, and agrees that:

2.3.1 Franchisee will comply with this Agreement.

2.3.2 Franchisee will cause each of Franchisee's Obligors, whether such Obligor came within the scope of "Obligors" before or after the Effective Date of this Agreement: (i) to duly execute BluTaco's Individual Confidentiality Agreement; and (ii) to duly deliver such executed Individual Confidentiality Agreement to BluTaco prior to or contemporaneously with, and as an express condition precedent to: (a) such individual coming within the scope of "Obligors"; and (b) granting such Obligor access to BluTaco's Confidential Information and Trade Secrets.

2.3.3 Franchisee will cause each Obligor required to sign the Individual Confidentiality Agreement to comply with such Individual Confidentiality Agreement.

2.3.4 Franchisee will at all times use its best efforts to prevent unauthorized copying or disclosure of any and all Confidential Information and Trade Secrets.

2.3.5 Franchisee will collect all copies of the Confidential Information and Trade Secrets from each person having access to them, at such time as such person no longer has a legitimate need to know of such Confidential Information and Trade Secrets. On termination or expiration of the Franchise Agreement, or earlier as BluTaco may request, Franchisee will return to BluTaco at Franchisee's expense, or will destroy, as BluTaco may direct, any or all Confidential Information and Trade Secrets, all copies thereof, and all other tangible things containing information from or otherwise derived from such Confidential Information and Trade Secrets then in Franchisee's actual or constructive possession.

2.3.6 Franchisee will not, during the term of the Franchise Agreement, directly or indirectly:

2.3.6.1 Appropriate, use, copy, duplicate, record, or otherwise reproduce all or any part of the Confidential Information or Trade Secrets for any purpose not directly and materially related to complying with Franchisee's obligations under the Franchise Agreement.

2.3.6.2 Use any Confidential Information or Trade Secret at any place except Franchisee's Restaurant and the Franchised Business.

2.3.6.3 Disclose any Confidential Information or Trade Secret to any person or other entity, other than to Obligors: (i) who have first duly executed and delivered the Individual Confidentiality Agreement to BluTaco; and (ii) who have a legitimate business need to know of such Confidential Information and Trade Secret in order to further the operation of Franchisee's Franchised Business.

2.3.7 Franchisee will not, for two (2) years after the termination or expiration of the Franchise Agreement, directly or indirectly: (i) appropriate, use, publish, copy, duplicate, record, or otherwise reproduce all or any part of the Confidential Information for any purpose; and (ii) disclose any portion of the Confidential Information to any person or other entity.

2.3.8 Franchisee will not, at any time after the termination or expiration of the Franchise Agreement, directly or indirectly: (i) appropriate, use, publish, copy, duplicate, record, or otherwise reproduce all or any part of the Trade Secrets for any purpose; and (ii) disclose any portion of the Trade Secrets to any person or other entity.

2.4 Modifications to Form of Individual Confidentiality Agreement. BluTaco may from time to time modify BluTaco's form of Individual Confidentiality Agreement. If BluTaco modifies such Individual Confidentiality Agreement, Franchisee will, on BluTaco's request: (i) cause the Obligors to duly execute originals of such modified Individual Confidentiality Agreement; and (ii) deliver to BluTaco such duly-executed originals so that BluTaco actually receives such originals by the end of ten (10) days after BluTaco delivers such originals to Franchisee for execution by Franchisee's Obligors.

3. **Enforcement**. Franchisee acknowledges and agrees that:

3.1 Notice of Breach of Individual Confidentiality Agreement. Franchisee will immediately notify BluTaco in writing of any breach of any Individual Confidentiality Agreement by any Obligor required to execute such Individual Confidentiality Agreement.

3.2 Enforcement of Individual Confidentiality Agreement. Franchisee will, on BluTaco's demand, commence such legal proceedings as BluTaco may require to compel the compliance of any Obligor with the Individual Confidentiality Agreement, and will prosecute such legal proceedings to their conclusion. As between BluTaco and Franchisee, all such legal proceedings will be prosecuted at Franchisee's sole cost and expense. Franchisee will, on BluTaco's demand, tender such legal proceedings to BluTaco, and BluTaco may prosecute such legal proceedings at Franchisee's risk. If BluTaco demands such tender, any and all costs related to such tender, and any and all costs of such legal proceedings, including without limitation BluTaco's attorneys' fees and costs, and further including without limitation BluTaco's attorneys' fees and costs related to counterclaims, cross-claims, appeals, and collection of amounts owed, shall be within the scope of the Indemnification Obligations set forth in Section 17.1 of the Franchise Agreement.

3.3 Existence of Claims of Franchisee. The existence of any claims Franchisee may have against BluTaco, whether or not arising from the Franchise Agreement or this Agreement, shall not constitute a defense to BluTaco's enforcement of this Agreement.

3.4 Reasonable Efforts to Maintain Confidentiality and Secrecy. Franchisee acknowledges and agrees that, and hereby directs any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to conclusively presume that, Section 15.1 of the Franchise Agreement, this Agreement, and the Individual Confidentiality Agreements, are BluTaco's reasonable effort under the circumstances to maintain the confidentiality of BluTaco's Confidential Information and the secrecy of its Trade Secrets.

4. **Remedies**.

4.1 Conclusive Presumptions on Breach. Franchisee acknowledges and agrees that, and Franchisee hereby directs any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to conclusively presume that, any breach of Section 15.1 of the Franchise Agreement, any breach of Section 2.3 or Section 3 of this Agreement, or any breach of Section 2.3 of any Individual Confidentiality Agreement: (i) was accompanied by the misappropriation of BluTaco's Confidential Information, Trade Secrets, and other methods and procedures; (ii) was accompanied by the inevitable disclosure of BluTaco's Confidential Information, Trade Secrets, and other methods and procedures; (iii) shall constitute a deceptive and unfair trade practice; and (iv) shall constitute unfair competition.

4.2 Injunctive Relief. Franchisee acknowledges and agrees that any breach of Section 15.1 of the Franchise Agreement, any breach of Section 2.3 of this Agreement, any breach of Section 2.3 or Section 2.4 of any Individual Confidentiality Agreement, or any unauthorized use or disclosure of all or any part of BluTaco's Confidential Information and Trade Secrets, would cause will cause BluTaco great and irreparable harm for which BluTaco has no adequate remedy at law. Therefore, Franchisee acknowledges and agrees that BluTaco will have the right to injunctive relief, including without limitation a decree for specific performance, to compel Franchisee's compliance with Section 15.1 of the Franchise Agreement, to compel Franchisee's compliance with Section 2.3 of this Agreement, and to compel the compliance of all Obligors with Section 2.3 and Section 2.4 of all Individual Confidentiality Agreements, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

4.3 Damages. Franchisee covenants, warrants, represents, and agrees that in the event of any breach of Section 15.1 of the Franchise Agreement, any breach of this Agreement, or any breach of any Individual Confidentiality Agreement, Franchisee will pay BluTaco actual damages equal to: (i) the damage BluTaco suffered as a result of such breach; plus (ii) the loss of the benefit of the bargain BluTaco would have received had Franchisee fully complied with Section 15.1 of the Franchise Agreement, and with this Agreement; plus (iii) the loss of the benefit of the bargain BluTaco would have received had the Obligors fully complied with the Individual Confidentiality Agreement; plus (iv) such consequential, special, multiplied, enhanced, exemplary, and punitive damages as applicable Law may permit; plus (v) BluTaco's out-of-pocket costs and expenses; plus (vi) such additional damages as BluTaco may demonstrate, so that BluTaco actually receives each such payment by the end of ten (10) days after BluTaco's demand therefor.

5. **Dispute Resolution**.

5.1 Governing Law. All matters arising out of or related to this Agreement, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of this Agreement, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Delaware applicable to agreements made and to be entirely performed within the State of Delaware, which laws shall prevail in the event of any conflict of laws.

5.2. Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to this Agreement, including without limitation any dispute arising out of or related to the making of this Agreement, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court having jurisdiction over the subject matter in or for the city or county where BluTaco's principal place of business is located. Franchisee hereby irrevocably accepts and submits to, generally and unconditionally, the exclusive jurisdiction of any such state or federal court, and hereby waives all defenses based on jurisdiction, venue, and forum non conveniens.

5.3 Waiver of Trial by Jury. BLUTACO AND FRANCHISEE HEREBY WAIVE TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATED TO THIS AGREEMENT.

5.4 Attorneys' Fees and Costs. In the event of any dispute or litigation arising out of or related to this Agreement, including without limitation any dispute or litigation arising out of or related to the making of this Agreement, Franchisee shall pay to BluTaco, on demand, BluTaco's costs, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation

BluTaco's reasonable attorneys' fees and costs of appeal, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection, so that BluTaco actually receives such amounts by the end of ten (10) days after demand therefor. In the event of any breach of this Agreement, Franchisee shall pay to BluTaco, on demand, BluTaco's costs arising out of or related to such breach, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection, so that BluTaco actually receives such amounts by the end of ten (10) days after demand therefor.

5.5 Burden of Proof. If a dispute arises as to whether particular information is Confidential Information or a Trade Secret, Franchisee shall bear the burden of proving, by clear and convincing proof, that such information is outside the ambit of "Confidential Information" or "Trade Secrets" subject to this Agreement.

6. **Miscellaneous**.

6.1 Works Made for Hire. If Franchisee prepares derivative works from the Confidential Information or Trade Secrets, or if Franchisee causes such derivative works (for example, architectural and construction plans) to be prepared, such works shall be prepared as works made for hire. If such works are prepared by an independent contractor, they shall be prepared under a written agreement stipulating that they are prepared as works made for hire. Franchisee shall, without BluTaco's request, and without payment of any consideration therefor except the Franchise Agreement, assign the rights in and to any and all such works to BluTaco.

6.2 Continuity; No Release. This Agreement and Franchisee's obligations set forth in this Agreement shall remain in full force and effect after and notwithstanding: (i) the termination, expiration, or transfer of the Franchise Agreement; (ii) the transfer of Franchisee's interest in the Franchise Agreement, whether such transfer is permitted or unpermitted; (iii) the dissolution of existence or termination of operation of Franchisee; (iv) the termination of Franchisee's relationship with BluTaco; or (v) any other event or occurrence.

6.3 Construe In Favor of Enforcement. In the event of any dispute, litigation, or like event or occurrence arising out of or related to this Agreement, Franchisee hereby directs any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to construe the provisions of this Agreement broadly in favor of enforcement.

6.4 Merger; Entire Agreement. This Agreement, together with the Franchise Agreement, is a complete integration that sets forth the entire agreement between the parties, fully superseding any and all prior negotiations, agreements, representations, and understandings between BluTaco and Franchisee, whether oral or written, related to the subject matter of this Agreement and the Franchise Agreement. Franchisee hereby expressly affirms that there are no oral or written agreements, "side-deals," arrangements, or understandings between BluTaco and Franchisee except as expressly set forth in this Agreement and the Franchise Agreement. No course of dealing, whether occurring before or after the date BluTaco and Franchisee made this Agreement, shall operate to amend, terminate, or waive any express written provision of this Agreement.

6.5 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto. References to agreements, documents, guaranties, and other agreements and instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

6.6 Partial Invalidity. If any provision of this Agreement is declared invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of this Agreement shall remain in full force and effect, and Franchisee agrees that it would have signed this Agreement as so modified.

6.7 Effect of Recitals. The Recitals to this Agreement shall be construed as a material and enforceable part of this Agreement for all purposes, and shall in no event be considered prefatory language or mere surplusage.

6.8 Further Assurances. Franchisee hereby covenants, warrants, represents, and agrees that: (i) it will perform such acts and will execute and deliver such agreements and other documents to BluTaco as BluTaco may deem necessary or beneficial to effect the intent of this Agreement; (ii) it will not condition the performance of such acts or the execution and delivery of such agreements and other documents; (iii) it will not delay the performance of such acts; and (iv) it will deliver such agreements and other documents, duly notarized if BluTaco requires that such agreements and other documents be notarized, to BluTaco so that BluTaco actually receives such agreements and other documents by the end of ten (10) days after BluTaco delivers them to Franchisee for execution.

6.9 Successors and Assigns. This Agreement shall be binding on the parties hereto and on their respective successors, heirs, and assigns.

6.10 Notices. The parties shall send any notice to the other in writing in the same manner as set forth in the Franchise Agreement for the delivery of notices.

[SIGNATURES CONTAINED ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties to this Agreement, intending to be legally bound by this Agreement, have duly executed and delivered this Agreement as of the Effective Date.

BLUTACO:	**FRANCHISEE:**
BLUTACO FRANCHISING, LLC	
By: ____________________________	By: ____________________________
Shawn Burcham	
Title: Chief Executive Officer	Title:

INDIVIDUAL CONFIDENTIALITY AGREEMENT

I, by my signature set forth below, agree to be bound by and to comply with this Agreement (the "Agreement").

RECITALS

A. I am an employee, independent contractor, or owner of __________________________ ("Employer"). Employer is a franchisee of BluTaco Franchising, LLC ("BluTaco"). The franchisor-franchisee relationship between Employer and BluTaco is shown in a franchise agreement (such franchise agreement, together with all schedules, exhibits, addenda, attachments, and amendments to it, being referred to collectively in this Agreement as the "Franchise Agreement").

B. BluTaco owns a wide variety of Confidential Information (as defined in Section 1.1.1 of this Agreement) and Trade Secrets (as defined in Section 1.1.2 of this Agreement). BluTaco is granting Employer access to its Confidential Information and Trade Secrets. Employer wants to grant me access to BluTaco's Confidential Information and Trade Secrets. BluTaco will allow Employer to grant me access to its Confidential Information and Trade Secrets, subject to this Agreement.

C. BluTaco needs to secure the confidentiality of its Confidential Information and the secrecy of its Trade Secrets, and BluTaco needs to prevent others from competing unfairly against it, so that BluTaco's legitimate interests, including without limitation: (i) the confidentiality of BluTaco's Confidential Information; (ii) the secrecy of BluTaco's Trade Secrets; (iii) the integrity of the System (as defined in Section 1.2 of this Agreement); (iv) BluTaco's investment in the System; (v) the investment of BluTaco's franchisees in their businesses; and (vi) the goodwill associated with the System, are protected.

D. BluTaco would not have entered into the Franchise Agreement with Employer unless Employer agreed to have personnel in positions like mine sign this Agreement, agree to be bound by it, and agree to comply with it.

E. I acknowledge and agree that I will receive good and valuable consideration for my entry into this Agreement, because without this Agreement: (i) Employer would not employ me, place me in my employment position, or allow me to be an owner of Employer; (ii) if I am already employed by Employer in a position that requires me to sign this Agreement and to comply with it, Employer would terminate my employment or remove me from my position; (iii) if am already an owner of Employer, Employer would require me to give up my ownership interests; and (iv) BluTaco would not permit Employer to disclose the Confidential Information and Trade Secrets to me.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of all of which I hereby acknowledge, I hereby covenant, warrant, represent, and agree as follows:

1. **Definitions**. As used in this Agreement:

1.1 Confidential Information; Trade Secrets.

1.1.1 Confidential Information. "Confidential Information" shall mean any information related to BluTaco that Employer or BluTaco discloses to me that either Employer or BluTaco designates as confidential; or that, by its nature, BluTaco would reasonably expect me to hold in confidence or keep secret, whether such disclosure occurred before or after the date I made this Agreement. Without limiting the definition of "Confidential Information," I agree that all of the following shall conclusively be deemed to be Confidential Information whether or not Employer or BluTaco designates them as such: (i) all information that Employer or BluTaco has marked or designated as confidential; (ii) BluTaco's Operations Manual, together with all similar directives and documentation; (iii) BluTaco's training programs and the material contained in them; (iv) BluTaco's rules, guidelines, standards, specifications, plans, programs, and procedures; (v) BluTaco's cost information; and (vi) all other information that Employer or BluTaco provides to me in confidence, except where such information is a Trade Secret.

1.1.2 Trade Secret. "Trade Secret" shall mean information that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who may obtain economic value from its disclosure or use, whether I obtained such information before or after the date I made this Agreement. Without limiting the definition of "Trade Secrets," I agree that all of the following shall conclusively be deemed to be Trade Secrets whether or not Employer or BluTaco designates them as such: (i) all guest lists; (ii) the contact information of such guests; (iii) BluTaco's food and beverage recipes, lists of ingredients, preparation instructions, and serving instructions; (iv) BluTaco's advertising, marketing, and public relations strategies; (v) BluTaco's marketing analyses; (vi) products and services that BluTaco proposes to introduce, but that it has not yet introduced; and (vii) BluTaco's expansion plans.

1.1.3 Limitation. The terms "Confidential Information" and "Trade Secrets" shall not include, regardless of the means of disclosure: (i) information generally known to the trade or the public at the time Employer or BluTaco discloses it to me; (ii) information that becomes known to the trade or the public after Employer or BluTaco discloses it to me, unless it becomes known due to my breach of this Agreement; and (iii) information that I can prove was known to me at the time Employer or BluTaco disclosed it to me. Notwithstanding the foregoing, I acknowledge and agree that although I may already know some of the information contained in the Confidential Information and Trade Secrets, and although some of the information may already be in the public domain, BluTaco has prepared compilations of such information at its considerable effort and expense, and as a result such compilations shall be "Confidential Information" or "Trade Secrets" even though I already knew them, or even though they were already in the public domain.

1.2 System. "System" shall mean businesses and restaurants authorized to operate under the "BluTaco" trademarks, trade names, service marks, logotypes, other commercial symbols, and trade dress.

2. **Ownership; Acknowledgements; Protection; Modifications**.

2.1 Ownership of Confidential Information and Trade Secrets. I acknowledge and agree that: (i) BluTaco owns the Confidential Information and Trade Secrets; and (ii) the Confidential Information and Trade Secrets are and shall remain BluTaco's sole and exclusive property.

2.2 Acknowledgments. I acknowledge and agree that:

2.2.1 The Confidential Information and Trade Secrets are expressly copyrighted by copyright notice and are hence protected under the U.S. Copyright Act, or they are unmarked works nonetheless protected under the U.S. Copyright Act.

2.2.2 The Confidential Information and Trade Secrets contain BluTaco's commercially valuable confidential information and trade secrets.

2.2.3 BluTaco has made and will continue to make substantial investment in the Confidential Information and Trade Secrets, which investment may be recouped only if BluTaco's rights set forth in this Agreement, BluTaco's rights established by law, and BluTaco's other rights arising out of or related to its intellectual property, are honored.

2.2.4 The Confidential Information and Trade Secrets are not, by definition, generally known in the trade; that they are beyond my present skill and experience; and that for me to develop such Confidential Information and Trade Secrets on my own would be expensive, time-consuming, and difficult.

2.2.5 The Confidential Information and Trade Secrets would, if disclosed to a third party or used by me in breach of this Agreement, provide the third party or me with an unfair competitive advantage, and that they would be economically valuable to the third party or me in the development of a competing business and otherwise.

2.3 Protection of Confidential Information and Trade Secrets. In recognition of, acknowledgment of, and agreement with, the Recitals, Section 1, Section 2.1, and Section 2.2 of this Agreement, and in consideration of the consideration set forth in the Recitals and other provisions of this Agreement, I covenant, warrant, represent, and agree that:

2.3.1 I will comply with this Agreement.

2.3.2 I will at all times use my best efforts to prevent unauthorized copying or disclosure of any and all Confidential Information and Trade Secrets.

2.3.3 At such time as I no longer have a legitimate need to know of the Confidential Information and Trade Secrets, or on termination or expiration of the Franchise Agreement, or at such earlier time as BluTaco may request, I will immediately return to BluTaco, or will destroy, as BluTaco may direct, any or all Confidential Information and Trade Secrets, all copies thereof, and all other tangible things containing information from or otherwise derived from such Confidential Information and Trade Secrets, then in my actual or constructive possession.

2.3.4 I will not, during the term of my employment or placement with Employer, or during the time when I hold any ownership interest in Employer:

2.3.4.1 Appropriate, use, copy, duplicate, record, or otherwise reproduce all or any part of the Confidential Information or Trade Secrets for any purpose not directly and materially related to the operation of Employer's franchised business and Employer's BluTaco restaurants.

2.3.4.2 Use any Confidential Information or Trade Secret at any place except Employer's franchised business and Employer's BluTaco restaurants.

2.3.4.3 Disclose any of the Confidential Information or Trade Secrets to any person or other entity, other than to Employer's directors, officers, owners, management employees, and others who have a legitimate business need to know of them in order to further the operation of Employer's franchised business and Employer's BluTaco restaurants.

2.3.5 I will not, for two (2) years after the termination or expiration of my employment or placement with Employer for any reason, or for two (2) years after I sell, transfer, or otherwise give up my ownership interest in Employer, or for two (2) years after the termination or expiration of the Franchise Agreement, directly or indirectly: (i) appropriate, use, publish, copy, duplicate, record, or otherwise reproduce all or any part of the Confidential Information for any purpose; and (ii) disclose any portion of the Confidential Information to any person or other entity.

2.3.6 I will not, at any time after the termination or expiration of my employment or placement with Employer for any reason, or at any time after I sell, transfer, or otherwise give up my ownership interest in Employer, or at any time after the termination or expiration of the Franchise Agreement: (i) appropriate, use, publish, copy, duplicate, record, or otherwise reproduce all or any part of the Trade Secrets for any purpose; and (ii) disclose any portion of the Trade Secrets to any person or other entity.

2.4 Modifications to Form of Confidentiality Agreement. BluTaco may from time to time modify the form of confidentiality agreement that BluTaco requires individuals like me to sign. If BluTaco modifies such form, I will, on Employer's or BluTaco's request, duly execute, date, and deliver originals of such modified confidentiality agreement to BluTaco so that BluTaco actually receives such originals by the end of ten (10) days after Employer or BluTaco delivers them to me for execution.

3. **Enforcement**.

3.1 Existence of Claims. I acknowledge and agree that the existence of any claims that I may have against Employer or BluTaco shall not constitute a defense to BluTaco's enforcement of this Agreement.

3.2 Reasonable Efforts to Maintain Confidentiality and Secrecy. I acknowledge and agree that, and I hereby direct any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to conclusively presume that, this Agreement is BluTaco's reasonable effort under the circumstances to maintain the confidentiality of its Confidential Information and the secrecy of its Trade Secrets.

4. **Remedies**.

4.1 Conclusive Presumptions on Breach. I acknowledge and agree that, and I hereby direct any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to conclusively presume that, any breach by me of Section 2.3 of this Agreement: (i) was accompanied by the misappropriation of BluTaco's Confidential Information, Trade Secrets, and other methods and procedures; (ii) was accompanied by the inevitable disclosure of BluTaco's Confidential Information, Trade Secrets, and other methods and procedures; (iii) shall constitute a deceptive and unfair trade practice; and (iv) shall constitute unfair competition.

4.2 Injunctive Relief. I acknowledge and agree that any breach by me of this Agreement will cause BluTaco great and irreparable harm for which BluTaco has no adequate remedy at law. Therefore, I acknowledge and agree that BluTaco will have the right to injunctive relief, including without limitation a decree for specific performance, to compel my compliance with this Agreement, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

4.3 Damages. I covenant, warrant, represent, and agree that in the event of any breach by me of this Agreement, I will pay BluTaco actual damages equal to: (i) the damage BluTaco suffered as a result of such breach; plus (ii) the loss of the benefit of the bargain that BluTaco would have received had I fully complied with this Agreement; plus (iii) such consequential, special, multiplied, enhanced, exemplary, and punitive damages as applicable law may permit; plus (iv) BluTaco's out-of-pocket costs and expenses; plus (v) such additional damages as BluTaco may demonstrate, so that BluTaco actually receives each such payment by the end of ten (10) days after BluTaco's demand therefor.

5. **Dispute Resolution**.

5.1 Governing Law. All matters arising out of or related to this Agreement, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of this Agreement, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Delaware applicable to agreements made and to be entirely performed within the State of Delaware, which laws shall prevail in the event of any conflict of laws.

5.2. Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to this Agreement, including without limitation any dispute arising out of or related to the making of this Agreement, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court having jurisdiction over the subject matter in or for the city or county where BluTaco's principal place of business is located. I hereby irrevocably accept and submit to, generally and unconditionally, the exclusive jurisdiction of any such state or federal court, and hereby waive all defenses based on jurisdiction, venue, and forum non conveniens.

5.3 Waiver of Trial by Jury. I HEREBY WAIVE TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATED TO THIS AGREEMENT.

5.4 Attorneys' Fees and Costs. In the event of any dispute or litigation arising out of or related to this Agreement, including without limitation any dispute or litigation arising out of or related to the making of this Agreement, I will pay to BluTaco, on demand, BluTaco's costs, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of appeal, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection, so that BluTaco actually receives such amounts by the end of ten (10) days after demand therefor. In the event of any breach of this Agreement, I will pay to BluTaco, on demand, BluTaco's costs arising out of or related to such breach, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection, so that BluTaco actually receives such amounts by the end of ten (10) days after demand therefor.

5.5 Burden of Proof. If a dispute arises as to whether particular information is Confidential Information or a Trade Secret, I acknowledge and agree that I will bear the burden of proving, by clear and convincing proof, that such information is outside the ambit of "Confidential Information" or "Trade Secrets" subject to this Agreement.

6. **Notices**. I acknowledge and agree that all communications required or permitted to be given between BluTaco and me under this Agreement shall be in writing and shall be deemed to have been duly given: (i) when received in person by the other party; (ii) one (1) business day after being sent by reputable commercial courier service for next business day delivery; (iii) five (5) business days after being deposited in the United States mail for certified or registered delivery, return receipt requested, postage prepaid; or (iv) on the intended recipient's failure or refusal to accept delivery of any communication given pursuant to this Agreement, which failure or refusal shall be deemed constructive delivery effective on the earlier of the date of such refusal or the dates set forth in Clauses (i) through (iii) of this Section 6. UPS, Federal Express, and any successors thereto shall conclusively be deemed "reputable commercial courier services." For the purposes of this Agreement:

6.1 My address is set forth beneath my signature at the end of this Agreement.

6.2 BluTaco's address for the delivery of communications by commercial courier service is:

BluTaco Franchising, LLC
170 Commerce Drive
Holts Summit, Missouri 65043

6.3 BluTaco's address for the delivery of communications by certified or registered U.S. Mail is:

BluTaco Franchising, LLC
P.O. Box 160
Holts Summit, Missouri 65043

6.4 I will direct any communication I deliver to BluTaco to the attention of BluTaco's President.

6.5 I will deliver a simultaneous written copy of any communication I deliver to BluTaco to BluTaco's counsel as follows:

Spadea Lignana, LLC
232 N. 2nd Street
Philadelphia, Pennsylvania 19106

6.6 Delivery of the copy as set forth in Section 6.5 of this Agreement: (i) shall not constitute notice; and (ii) shall be an express condition precedent to the validity of any communication that I deliver to BluTaco.

6.7 Either BluTaco or I may designate another address at any time by delivering written notice to the other in the manner set forth in this Section 6.

7. **Miscellaneous**.

7.1 Works Made for Hire. If Employer directs me to create works derived from any Confidential Information or Trade Secrets, such works shall be deemed works made for hire and BluTaco shall own all rights in and to such works.

7.2 Continuity; No Release. This Agreement and my obligations set forth in this Agreement shall remain in full force and effect after and notwithstanding: (i) the termination of my employment with Employer; (ii) the transfer of my ownership interest in Employer, whether such transfer is permitted or unpermitted; (iii) the dissolution of existence or termination of operation of Employer; (iv) the termination, expiration, or transfer of the Franchise Agreement; (v) the transfer of Employer's interest in the Franchise Agreement, whether such transfer is permitted or unpermitted; (vi) the termination of Employer's relationship with BluTaco; or (vii) any other event or occurrence.

7.3 Construe In Favor of Enforcement. In the event of any dispute, litigation, or like event or occurrence arising out of or related to this Agreement, I hereby direct any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to construe the provisions of this Agreement broadly in favor of enforcement.

7.4 Merger; Entire Agreement. This Agreement is a complete integration that sets forth the entire agreement between BluTaco and me, fully superseding any and all prior negotiations, agreements, representations, and understandings between BluTaco and me, whether oral or written, related to the subject matter of this Agreement. I hereby expressly affirm that there are no oral or written agreements, "side-deals," arrangements, or understandings between BluTaco and me except as expressly set forth in this Agreement. No course of dealing, whether occurring before or after the date I made this Agreement, shall operate to amend, terminate, or waive any express written provision of this Agreement.

7.5 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto. References to agreements, documents, guaranties, and other agreements and instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

7.6 Partial Invalidity. If any provision of this Agreement is declared invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of this Agreement shall remain in full force and effect, and I agree that I would have signed this Agreement as so modified.

7.7 Effect of Recitals. The Recitals to this Agreement shall be construed as a material and enforceable part of this Agreement for all purposes, and shall in no event be considered prefatory language or mere surplusage.

7.8 Further Assurances. I hereby covenant, warrant, represent, and agree that: (i) I will perform such acts and will execute and deliver such agreements and other documents to Employer and BluTaco as BluTaco may deem necessary or beneficial to effect the intent of this Agreement; (ii) I will not condition the performance of such acts or the execution and delivery of such agreements and other documents; (iii) I will not delay the performance of such acts; and (iv) I will deliver such agreements and other documents, duly notarized if BluTaco requires that such agreements and other documents be notarized, to Employer or BluTaco so that Employer or BluTaco actually receives such agreements and other documents by the end of ten (10) days after Employer or BluTaco delivers them to me for execution.

7.9 Successors and Assigns. This Agreement shall be binding on me and on my successors, heirs, and assigns.

7.10 I Am Not a Beneficiary. I acknowledge and agree that notwithstanding anything set forth in this Agreement or any other agreement to the contrary: (i) all obligations BluTaco owes are owed to Employer alone, and not to me; (ii) I shall not be entitled to rely on, enforce, or obtain relief for breach of, any of BluTaco's obligations arising out of or related to any agreement, whether directly, indirectly, by subrogation, as an intended third-party beneficiary, or otherwise; and (iii) I will not make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand, that alleges, asserts, or otherwise raises any matter contrary to Clause (i) or Clause (ii) of this Section 7.10.

7.11 This is Not a Contract of Employment. I acknowledge and agree that this Agreement is not a contract of employment.

7.12 Date. If I do not date this Agreement in the space provided for the date beneath my signature: (i) such failure by me shall have no effect on the effectiveness of this Agreement; and (ii) BluTaco may, if it desires to do so, enter such date as BluTaco reasonably deems appropriate.

I ACKNOWLEDGE AND AGREE THAT I HAVE READ AND FULLY UNDERSTAND ALL OF THE PROVISIONS OF THIS AGREEMENT. I HAVE HAD A FULL AND FAIR OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF MY CHOOSING RELATED TO THIS AGREEMENT, AND I HAVE EITHER DONE SO OR I HAVE KNOWINGLY, INTELLIGENTLY, AND VOLUNTARILY ELECTED NOT TO DO SO. I HAVE NOT RECEIVED, AND I AM NOT

RELYING ON, ANY REPRESENTATION OR PROMISE BY BLUTACO, OR ANY PERSON ACTING ON BLUTACO'S BEHALF, ARISING OUT OF OR RELATED TO THIS AGREEMENT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT.

I ACKNOWLEDGE AND AGREE THAT THIS AGREEMENT SPECIFICALLY APPLIES TO CONFIDENTIAL INFORMATION AND TRADE SECRETS THAT I RECEIVED BEFORE THE DATE THAT I MADE THIS AGREEMENT, AS WELL AS CONFIDENTIAL INFORMATION AND TRADE SECRETS THAT I RECEIVED AFTER THE DATE THAT I MADE THIS AGREEMENT.

I ACKNOWLEDGE AND AGREE THAT I AM SIGNING THIS AGREEMENT OF MY OWN FREE WILL AND VOLITION, AND WITHOUT ANY DURESS OR COERCION.

[SIGNATURES CONTAINED ON FOLLOWING PAGE]

IN WITNESS WHEREOF, intending to be legally bound by this Agreement, I have duly executed and delivered this Agreement:

______________________	______________________
Signature	Signature
______________________	______________________
Print Name	Print Name
Date: ______________________, 20____	Date: ______________________, 20____
Address:	Address:
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

______________________	______________________
Signature	Signature
______________________	______________________
Print Name	Print Name
Date: ______________________, 20____	Date: ______________________, 20____
Address:	Address:
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SCHEDULE E

COVENANT NOT TO COMPETE

<u>COVENANT NOT TO COMPETE</u>

THIS COVENANT (the "Covenant") is made and entered into the ______ day of __________________, 20____ (the "Effective Date"), by and between BLUTACO FRANCHISING, LLC, a Delaware limited liability company ("BluTaco"), and _____________ ____________________________, a ___________ _____________________ ("Franchisee").

RECITALS

A. Franchisee and BluTaco are entering into a BluTaco® franchise agreement contemporaneously with and as a material part of the same transaction as this Covenant (such franchise agreement, together with all schedules, exhibits, addenda, attachments, and amendments to it, being referred to collectively in this Covenant as the "Franchise Agreement").

B. BluTaco would not enter into such Franchise Agreement without Franchisee's agreement to enter into, be bound by, and comply with, this Covenant.

NOW, THEREFORE, in consideration of the foregoing, and in further consideration of the Franchise Agreement and the mutual promises and commitments set forth therein, and in further consideration of Ten and No/100 Dollars ($10.00) in-hand paid to Franchisee, and for other good and valuable consideration, the receipt and sufficiency of all of which Franchisee hereby acknowledges, the parties hereby agree as follows:

1. **<u>Definitions</u>**. As used in this Covenant:

1.1 <u>Specific Definitions</u>.

1.1.1 <u>Competing Activity</u>.

1.1.1.1 "Competing Activity" shall mean: (i) owning, maintaining, operating, engaging in, or having any interest in, any business that offers for sale, sells, or delivers products or services that are the same as or similar to the Products and Services, as such Products and Services are modified from time to time, or any product or service similar thereto, other than the Franchised Business or another business that Franchisee operates pursuant to an agreement with BluTaco or any affiliate of BluTaco; (ii) acting as a director, officer, shareholder, partner, member, employee, independent contractor, consultant, principal, agent, or proprietor, or participating or assisting in the establishment or operation of, directly or indirectly, any business engaged in an activity set forth in Clause (i) of this Section 1.1.1.1; (iii) diverting or attempting to divert any business from the Restaurant, the Franchised Business, the System, or other systems BluTaco or its affiliates may operate; and (iv) any activity similar to any of the activities set forth in Clauses (i), (ii), or (iii) of this Section 1.1.1.1.

1.1.1.2 Notwithstanding anything set forth in Section 1.1.1.1 of this Covenant to the contrary, Franchisee may passively own or hold less than five percent (5%) of the shares of any publicly-traded business that offers for sale, sells, or delivers products or services that are the same as or similar to the Products and Services, as such Products and Services are modified from time to time, and such ownership or holding shall not be deemed to be a "Competing Activity."

1.1.2 <u>Covenanting Personnel</u>. "Covenanting Personnel" shall mean, collectively: (i) Principal(s); (ii) Franchisee's Managers; (iii) Franchisee's other management personnel; (iv) all personnel Franchisee employs or otherwise engages who have received or will receive Principal Training, Manager

Training, or similar training in the System; (v) Franchisee's directors and officers; and (vi) other personnel BluTaco specifies.

1.2 Other Definitions. Capitalized terms used but not otherwise defined in this Covenant shall have the same meanings as are ascribed to them in the Franchise Agreement.

2. **Compliance; Individual Covenants; Franchisee's Covenants**.

2.1 Compliance. Franchisee covenants, warrants, represents, and agrees that it will comply with this Covenant.

2.2 Individual Covenants Not to Compete. In recognition of, acknowledgment of, and agreement with, the Recitals and Section 1 of this Covenant, and in consideration of the consideration set forth in the Recitals and other provisions of this Covenant, Franchisee covenants, warrants, represents, and agrees that:

2.2.1 Franchisee will cause each of Franchisee's Covenanting Personnel, whether such Covenanting Personnel came within the scope of "Covenanting Personnel" before or after the Effective Date of this Covenant: (i) to duly execute BluTaco's Individual Covenant Not to Compete; and (ii) to duly deliver such executed Individual Covenant Not to Compete to BluTaco prior to or contemporaneously with, and as an express condition precedent to, such individual coming within the scope of "Covenanting Personnel."

2.2.2 Franchisee will cause each Covenanting Personnel required to sign the Individual Covenant Not to Compete to comply with such Individual Covenant Not to Compete.

2.3 Franchisee's Covenants Not to Compete.

2.3.1 In-Term Covenant Not to Compete. Franchisee covenants, warrants, represents, and agrees that it will not, during the term of the Franchise Agreement, individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any other person or entity, engage in a Competing Activity.

2.3.2 Post-Term Covenant Not to Compete. Franchisee covenants, warrants, represents, and agrees that it will not, beginning with the termination or expiration of the Franchise Agreement and continuing for two (2) years thereafter or two (2) years after a court of competent jurisdiction enters an order enforcing this Section 2.2 of this Covenant, whichever occurs last, individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any other person or entity, engage in a Competing Activity within any of Franchisee's Territories or former Territories.

2.4 Directives. In the event of any dispute arising out of or related to this Covenant, Franchisee hereby directs any third party construing this Covenant, including without limitation any court, mediator, master, or other party acting as trier of fact or law:

2.4.1 To conclusively presume that the restrictions set forth in this Covenant are reasonable and necessary in order to protect BluTaco's legitimate interests, including without limitation: (i) the confidentiality of BluTaco's Confidential Information; (ii) the secrecy of BluTaco's Trade Secrets; (iii) the integrity of the BluTaco System; (iv) BluTaco's investment in the System; (v) the investment of BluTaco's franchisees in their businesses; and (vi) the goodwill associated with the System.

2.4.2 To conclusively presume that this Covenant was made freely and voluntarily by Franchisee, as an independent business operator to which BluTaco delivered good and valuable consideration, in an arms-length commercial transaction between skilled and experienced business professionals.

2.4.3 To conclusively presume that the restrictions set forth in this Covenant will not unduly burden Franchisee's ability to earn a livelihood.

2.4.4 To construe this Covenant under Laws governing distribution contracts between commercial entities in an arms-length business transaction, and not under Laws governing contracts of employment.

2.5 Modifications to Form of Individual Covenant Not to Compete. BluTaco may from time to time modify BluTaco's form of Individual Covenant Not to Compete. If BluTaco modifies such Individual Covenant Not to Compete, Franchisee will, on BluTaco's request: (i) cause the Covenanting Personnel to duly execute originals of such modified Individual Covenant Not to Compete; and (ii) deliver to BluTaco such duly-executed originals so that BluTaco actually receives such originals by the end of ten (10) days after BluTaco delivers such originals to Franchisee for execution by Franchisee's Covenanting Personnel.

3. **Enforcement**. Franchisee acknowledges and agrees that:

3.1 Notice of Breach of Individual Covenant Not to Compete. Franchisee will immediately notify BluTaco in writing of any breach of any Individual Covenant Not to Compete by any Covenanting Personnel required to execute such Individual Covenant Not to Compete.

3.2 Enforcement of Individual Covenant Not to Compete. Franchisee will, on BluTaco's demand, commence such legal proceedings as BluTaco may require to compel the compliance of any Covenanting Personnel with the Individual Covenant Not to Compete, and will prosecute such legal proceedings to their conclusion. As between BluTaco and Franchisee, all such legal proceedings will be prosecuted at Franchisee's sole cost and expense. Franchisee will, on BluTaco's demand, tender such legal proceedings to BluTaco, and BluTaco may prosecute such legal proceedings at Franchisee's risk. If BluTaco demands such tender, any and all costs related to such tender, and any and all costs of such legal proceedings, including without limitation BluTaco's attorneys' fees and costs, and further including without limitation BluTaco's attorneys' fees and costs related to counterclaims, cross-claims, appeals, and collection of amounts owed, shall be within the scope of the Indemnification Obligations set forth in Section 17.1 of the Franchise Agreement.

3.3 Existence of Claims of Franchisee. The existence of any claims Franchisee may have against BluTaco, whether or not arising from the Franchise Agreement or this Covenant, shall not constitute a defense to BluTaco's enforcement of this Covenant.

3.4 Independent Covenants. Each of the covenants set forth in Section 2.2 of this Covenant shall be construed as independent of any other covenant or provision of this Covenant. If all or any portion of a covenant set forth in Section 2.2 of this Covenant is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision in a proceeding to which BluTaco is a party, Franchisee will 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 Section 2.2.

3.5 Reduction in Scope of Covenants. BluTaco shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 2.2 of this Covenant, or any portion thereof, without Franchisee's consent, effective immediately on BluTaco's delivery of written notice of such reduction to Franchisee; and Franchisee shall be bound by any covenant as so modified.

4. **Remedies**.

4.1 Conclusive Presumptions on Breach. Franchisee acknowledges and agrees that, and Franchisee hereby directs any third party construing this Covenant, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to conclusively presume that any breach of Section 15.2 of the Franchise Agreement, any breach of Section 2.1, Section 2.2, or Section 2.3 of this Covenant, or any breach of Section 2.1 or Section 2.2 of any Individual Covenant Not to Compete: (i) was accompanied by the misappropriation of BluTaco's confidential information, trade secrets, and other methods and procedures; (ii) was accompanied by the inevitable disclosure of BluTaco's confidential information, trade secrets, and other methods and procedures; (iii) shall constitute a deceptive and unfair trade practice; and (iv) shall constitute unfair competition.

4.2 Injunctive Relief. Franchisee acknowledges and agrees that any breach of Section 15.2 of the Franchise Agreement, any breach of Section 2.1, Section 2.2, or Section 2.3 of this Covenant, or any breach of Section 2.1 or Section 2.2 of any Individual Covenant Not to Compete, will cause BluTaco great and irreparable harm for which BluTaco has no adequate remedy at law. Therefore, Franchisee acknowledges and agrees that BluTaco will have the right to injunctive relief, including without limitation a decree for specific performance, to compel Franchisee's compliance with Section 15.2 of the Franchise Agreement, to compel Franchisee's compliance with Section 2.1, Section 2.2, and Section 2.3 of this Covenant, and to compel the compliance of all Covenanting Personnel with Section 2.1 and Section 2.2 of all Individual Covenants Not to Compete, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

4.3 Damages. Franchisee covenants, warrants, represents, and agrees that in the event of any breach of Section 15.2 of the Franchise Agreement, any breach of this Covenant, or any breach of any Individual Covenant Not to Compete, Franchisee will pay BluTaco actual damages equal to: (i) the damage BluTaco suffered as a result of such breach; plus (ii) the loss of the benefit of the bargain BluTaco would have received had Franchisee fully complied with Section 15.2 of the Franchise Agreement, and with this Covenant; plus (iii) the loss of the benefit of the bargain BluTaco would have received had the Covenanting Personnel fully complied with the Individual Covenant Not to Compete; plus (iv) such consequential, special, multiplied, enhanced, exemplary, and punitive damages as applicable Law may permit; plus (v) BluTaco's out-of-pocket costs and expenses; plus (vi) such additional damages as BluTaco may demonstrate, so that BluTaco actually receives each such payment by the end of ten (10) days after BluTaco's demand therefor.

5. **Dispute Resolution**.

5.1 Governing Law. All matters arising out of or related to this Covenant, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of this Covenant, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Delaware applicable to agreements made and to be entirely performed within the State of Delaware, which laws shall prevail in the event of any conflict of laws.

5.2. Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to this Covenant, including without limitation any dispute arising out of or related to the making of this Covenant, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court having jurisdiction over the subject matter in or for the city or county where BluTaco's principal place of business is located. Franchisee hereby irrevocably accepts and submits to, generally and unconditionally, the exclusive jurisdiction of any such state or federal court, and hereby waives all defenses based on jurisdiction, venue, and forum non conveniens.

5.3 Waiver of Trial by Jury. BLUTACO AND FRANCHISEE HEREBY WAIVE TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATED TO THIS COVENANT.

5.4 Attorneys' Fees and Costs. In the event of any dispute or litigation arising out of or related to this Covenant, including without limitation any dispute or litigation arising out of or related to the making of this Covenant, Franchisee shall pay to BluTaco, on demand, BluTaco's costs, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of appeal, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection, so that BluTaco actually receives such amounts by the end of ten (10) days after demand therefor. In the event of any breach of this Covenant, Franchisee shall pay to BluTaco, on demand, BluTaco's costs arising out of or related to such breach, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection, so that BluTaco actually receives such amounts by the end of ten (10) days after demand therefor.

6. **Miscellaneous**.

6.1 Continuity; No Release. This Covenant and Franchisee's obligations set forth in this Covenant shall remain in full force and effect after and notwithstanding: (i) the termination, expiration, or transfer of the Franchise Agreement; (ii) the transfer of Franchisee's interest in the Franchise Agreement, whether such transfer is permitted or unpermitted; (iii) the dissolution of existence or termination of operation of Franchisee; (iv) the termination of Franchisee's relationship with BluTaco; or (v) any other event or occurrence.

6.2 Construe In Favor of Enforcement. In the event of any dispute, litigation, or like event or occurrence arising out of or related to this Covenant, Franchisee hereby directs any third party construing this Covenant, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to construe the provisions of this Covenant broadly in favor of enforcement.

6.3 Merger; Entire Agreement. This Covenant, together with the Franchise Agreement, is a complete integration that sets forth the entire agreement between the parties, fully superseding any and all prior negotiations, agreements, representations, and understandings between BluTaco and Franchisee, whether oral or written, related to the subject matter of this Covenant and the Franchise Agreement. Franchisee hereby expressly affirms that there are no oral or written agreements, "side-deals," arrangements, or understandings between BluTaco and Franchisee except as expressly set forth in this Covenant and the Franchise Agreement. No course of dealing, whether occurring before or after the date BluTaco and Franchisee made this Covenant, shall operate to amend, terminate, or waive any express written provision of this Covenant.

6.4 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto. References to agreements, documents, guaranties, and other agreements and instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

6.5 Partial Invalidity. If any provision of this Covenant is declared invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of this Covenant shall remain in full force and effect, and Franchisee agrees that it would have signed this Covenant as so modified.

6.6 Effect of Recitals. The Recitals to this Covenant shall be construed as a material and enforceable part of this Covenant for all purposes, and shall in no event be considered prefatory language or mere surplusage.

6.7 Further Assurances. Franchisee hereby covenants, warrants, represents, and agrees that: (i) it will perform such acts and will execute and deliver such agreements and other documents to BluTaco as BluTaco may deem necessary or beneficial to effect the intent of this Covenant; (ii) it will not condition the performance of such acts or the execution and delivery of such agreements and other documents; (iii) it will not delay the performance of such acts; and (iv) it will deliver such agreements and other documents, duly notarized if BluTaco requires that such agreements and other documents be notarized, to BluTaco so that BluTaco actually receives such agreements and other documents by the end of ten (10) days after BluTaco delivers them to Franchisee for execution.

6.8 Successors and Assigns. This Covenant shall be binding on the parties hereto and on their respective successors, heirs, and assigns.

6.9 Notices. The parties shall send any notice to the other in writing in the same manner as set forth in the Franchise Agreement for the delivery of notices.

IN WITNESS WHEREOF, the parties to this Covenant, intending to be legally bound by this Covenant, have duly executed and delivered this Covenant as of the Effective Date.

BLUTACO:	**FRANCHISEE:**
BLUTACO FRANCHISING, LLC	
By: ______________________	By: ______________________
Shawn Burcham	
Title: Chief Executive Officer	Title:

INDIVIDUAL COVENANT NOT TO COMPETE

I, by my signature set forth below, agree to be bound by and to comply with this Covenant (the "Covenant").

RECITALS

A. I am an employee, independent contractor, or owner of _________________________ ("Employer"). Employer is a franchisee of BluTaco Franchising, LLC ("BluTaco"). The franchisor-franchisee relationship between Employer and BluTaco is shown in a franchise agreement (such franchise agreement, together with all schedules, exhibits, addenda, attachments, and amendments to it, being referred to collectively in this Covenant as the "Franchise Agreement").

B. BluTaco owns a wide variety of confidential information and trade secrets. BluTaco is granting Employer access to its confidential information and trade secrets. Employer wants to grant me access to BluTaco's confidential information and trade secrets. BluTaco will allow Employer to grant me access to its confidential information and trade secrets, subject to this Covenant.

C. BluTaco needs to secure the confidentiality of its confidential information and the secrecy of its trade secrets, and BluTaco needs to prevent others from competing unfairly against it, so that BluTaco's legitimate interests, including without limitation: (i) the confidentiality of BluTaco's confidential information; (ii) the secrecy of BluTaco's trade secrets; (iii) the integrity of the System (as defined in Section 1.2 of this Covenant); (iv) BluTaco's investment in the System; (v) the investment of BluTaco's franchisees in their businesses; and (vi) the goodwill associated with the System, are protected.

D. BluTaco would not have entered into the Franchise Agreement with Employer unless Employer agreed to have personnel in positions like mine sign this Covenant, agree to be bound by it, and agree to comply with it.

E. I acknowledge and agree that I will receive good and valuable consideration for my entry into this Covenant, because without this Covenant: (i) Employer would not employ me, place me in my employment position, or allow me to be an owner of Employer; (ii) if I am already employed by Employer in a position that requires me to sign this Covenant and to comply with it, Employer would terminate my employment or remove me from my position; (iii) if am already an owner of Employer, Employer would require me to give up my ownership interests; and (iv) BluTaco would not permit Employer to disclose the confidential information and trade secrets to me.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of all of which I hereby acknowledge, I hereby covenant, warrant, represent, and agree as follows:

1. **Definitions**. As used in this Covenant:

1.1 Competing Activity.

1.1.1 "Competing Activity" shall mean: (i) owning, maintaining, operating, engaging in, or having any interest in, any business that offers for sale, sells, or delivers products or services that are the same as or similar to the food, beverages, merchandise, and miscellaneous items that Employer offers for sale and sells through Employer's restaurant, as such food, beverages, merchandise, and miscellaneous items are modified from time to time, or any product or service similar to the food, beverages, merchandise, and miscellaneous items that Employer offers for sale and sells through Employer's restaurant, except where the business is another business that operates under an agreement between Employer on the one hand, and BluTaco or an affiliate of BluTaco on the other hand; (ii) acting as a director, officer, shareholder, partner, member, employee, independent contractor, consultant, principal, agent, or proprietor, or participating or assisting in the establishment or operation of, directly or indirectly, any business engaged in an activity set forth in Clause (i) of this Section 1.1.1; or (iii) diverting or attempting to divert any business from Employer's restaurant, from BluTaco, or from any restaurants operating under the BluTaco System or from other systems BluTaco or its affiliates may operate; and (iv) any activity similar to any of the activities described in Clauses (i), (ii), or (iii) of this Section 1.1.1.

1.1.2 Notwithstanding anything set forth in Section 1.1.1 of this Covenant to the contrary, the passive ownership or holding of less than five percent (5%) of the shares of any publicly-traded business that offers for sale, sells, or delivers products or services that are the same as or similar to the food, beverages, merchandise, and miscellaneous items that Employer offers for sale or sells through Employer's restaurant, as they may be modified from time to time, shall not be deemed to be a "Competing Activity."

1.2 System. "System" shall mean businesses and restaurants authorized to operate under the "BluTaco" trademarks, trade names, service marks, logotypes, other commercial symbols, and trade dress.

2. **Compliance; Covenants Not to Compete; Modifications to Covenant**.

2.1 Compliance. In recognition of, acknowledgment of, and agreement with, the Recitals and Section 1 of this Covenant, and in consideration of the consideration set forth in the Recitals and other provisions of this Covenant, I covenant, warrant, represent, and agree that I will comply with this Covenant.

2.2 Covenants Not to Compete.

2.2.1 Covenant Not to Compete During Term of My Employment or Ownership. I covenant, warrant, represent, and agree that I will not, during the term of my employment with Employer, or for as long as I own any interest in Employer, individually or jointly with others, directly or indirectly, by, through, on behalf of, or in conjunction with, any person or other entity, engage in a Competing Activity.

2.2.2 Covenant Not to Compete After Term of My Employment or Ownership. I covenant, warrant, represent, and agree that I will not, beginning with the date that Employer no longer employs me and continuing for two (2) years thereafter, or beginning with the date that I sell, transfer, or otherwise give up my ownership interest in Employer and continuing for two (2) years thereafter, or for two (2) years after the Franchise Agreement is terminated or expires, or for two (2) years after a court of competent jurisdiction enters an order enforcing this Covenant, whichever occurs last, directly or indirectly, by, through, on behalf of, or in conjunction with, any person or entity, engage in a Competing Activity, within a five (5) mile radius around any of Employer's restaurants.

2.3 Directives. If there is any dispute related to this Covenant, I hereby direct any third party construing this Covenant, including without limitation any court, mediator, master, or other party acting as trier of fact or law:

2.3.1 To conclusively presume that the restrictions set forth in this Covenant are reasonable and necessary in order to protect the interests set forth in Recital C of this Covenant.

2.3.2 To conclusively presume that this Covenant was made freely and voluntarily by me, as a skilled and experienced business professional to whom BluTaco duly delivered good and valuable consideration.

2.3.3 To conclusively presume that the restrictions set forth in this Covenant will not unduly burden my ability to earn a livelihood.

2.3.4 To construe this Covenant under laws governing distribution contracts between commercial entities in an arms-length business transaction, and not under laws governing contracts of employment.

2.4 Modifications to Form of Covenant Not to Compete. BluTaco may from time to time modify the form of covenant not to compete that BluTaco requires individuals like me to sign. If BluTaco modifies such form, I will, on Employer's or BluTaco's request, duly execute, date, and deliver originals of such modified covenant not to compete to BluTaco so that BluTaco actually receives such originals by the end of ten (10) days after Employer or BluTaco delivers them to me for execution.

3. **Enforcement**.

3.1 Independent Covenants. I acknowledge and agree that each of the covenants set forth in Section 2.2 of this Covenant shall be construed as independent of any other covenant or provision of this Covenant. If all or any portion of a covenant set forth in Section 2.2 of this Covenant is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision in a proceeding to which BluTaco is a party, I will 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 Section 2.2.

3.2 Reduction in Scope of Covenants. I acknowledge and agree that BluTaco shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 2.2 of this Covenant, or any portion thereof, without my consent, effective immediately on BluTaco's delivery of written notice of such reduction to me, and I will be bound by any covenant as so modified.

3.3 Existence of Claims. I acknowledge and agree that the existence of any claims that I may have against Employer or BluTaco shall not constitute a defense to enforcement of this Covenant.

4. **Remedies**.

4.1 Conclusive Presumptions on Breach. I acknowledge and agree that, and I hereby direct any third party construing this Covenant, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to conclusively presume that, any breach by me of Section 2.2 of this Covenant: (i) was accompanied by the misappropriation of BluTaco's confidential information, trade secrets, and other methods and procedures; (ii) was accompanied by the inevitable disclosure of BluTaco's confidential information, trade secrets, and other methods and procedures; (iii) shall constitute a deceptive and unfair trade practice; and (iv) shall constitute unfair competition.

4.2 Injunctive Relief. I acknowledge and agree that any breach by me of this Covenant will cause BluTaco great and irreparable harm for which BluTaco has no adequate remedy at law. Therefore, I acknowledge and agree that BluTaco will have the right to injunctive relief, including without limitation a decree for specific performance, to compel my compliance with this Covenant, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

4.3 Damages. I covenant, warrant, represent, and agree that in the event of any breach by me of this Covenant, I will pay BluTaco actual damages equal to: (i) the damage BluTaco suffered as a result of such breach; plus (ii) the loss of the benefit of the bargain that BluTaco would have received had I fully complied with this Covenant; plus (iii) such consequential, special, multiplied, enhanced, exemplary, and punitive damages as applicable law may permit; plus (iv) BluTaco's out-of-pocket costs and expenses; plus (v) such additional damages as BluTaco may demonstrate, so that BluTaco actually receives each such payment by the end of ten (10) days after BluTaco's demand therefor.

5. **Dispute Resolution**.

5.1 Governing Law. All matters arising out of or related to this Covenant, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of this Covenant, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Delaware applicable to agreements made and to be entirely performed within the State of Delaware, which laws shall prevail in the event of any conflict of laws.

5.2. Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to this Covenant, including without limitation any dispute arising out of or related to the making of this Covenant, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court having jurisdiction over the subject matter in or for the city or county where BluTaco's principal place of business is located. I hereby irrevocably accept and submit to, generally and unconditionally, the exclusive jurisdiction of any such state or federal court, and hereby waive all defenses based on jurisdiction, venue, and forum non conveniens.

5.3 Waiver of Trial by Jury. I HEREBY WAIVE TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATED TO THIS COVENANT.

5.4 Attorneys' Fees and Costs. In the event of any dispute or litigation arising out of or related to this Covenant, including without limitation any dispute or litigation arising out of or related to the making of this Covenant, I will pay to BluTaco, on demand, BluTaco's costs, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of appeal, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection, so that BluTaco actually receives such amounts by the end of ten (10) days after demand therefor. In the event of any breach of this Covenant, I will pay to BluTaco, on demand, BluTaco's costs arising out of or related to such breach, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection, so that BluTaco actually receives such amounts by the end of ten (10) days after demand therefor.

6. **Notices**. I acknowledge and agree that all communications required or permitted to be given between BluTaco and me under this Covenant shall be in writing and shall be deemed to have been duly given: (i) when received in person by the other party; (ii) one (1) business day after being sent by reputable commercial courier service for next business day delivery; (iii) five (5) business days after being deposited in the United States mail for certified or registered delivery, return receipt requested, postage prepaid; or (iv) on the intended recipient's failure or refusal to accept delivery of any communication given pursuant to this Covenant, which failure or refusal shall be deemed constructive delivery effective on the earlier of the date of such refusal or the dates set forth in Clauses (i) through (iii) of this Section 6. UPS, Federal Express, and any successors thereto shall conclusively be deemed "reputable commercial courier services." For the purposes of this Covenant:

6.1 My address is set forth beneath my signature at the end of this Covenant.

6.2 BluTaco's address for the delivery of communications by commercial courier service is:

BluTaco Franchising, LLC
170 Commerce Drive
Holts Summit, Missouri 65043

6.3 BluTaco's address for the delivery of communications by certified or registered U.S. Mail is:

BluTaco Franchising, LLC
P.O. Box 160
Holts Summit, Missouri 65043

6.4 I will direct any communication I deliver to BluTaco to the attention of BluTaco's President.

6.5 I will deliver a simultaneous written copy of any communication I deliver to BluTaco to BluTaco's counsel as follows:

Spadea Lignana, LLC
232 N. 2nd Street
Philadelphia, PA 19106

6.6 Delivery of the copy as set forth in Section 6.5 of this Covenant: (i) shall not constitute notice; and (ii) shall be an express condition precedent to the validity of any communication that I deliver to BluTaco.

6.7 Either BluTaco or I may designate another address at any time by delivering written notice to the other in the manner set forth in this Section 6.

7. **Miscellaneous**.

7.1 Continuity; No Release. This Covenant and my obligations set forth in this Covenant shall remain in full force and effect after and notwithstanding: (i) the termination of my employment with Employer; (ii) the transfer of my ownership interest in Employer, whether such transfer is permitted or unpermitted; (iii) the dissolution of existence or termination of operation of Employer; (iv) the termination, expiration, or transfer of the Franchise Agreement; (v) the transfer of Employer's interest in the Franchise Agreement, whether such transfer is permitted or unpermitted; (vi) the termination of Employer's relationship with BluTaco; or (vii) any other event or occurrence.

7.2 Construe In Favor of Enforcement. In the event of any dispute, litigation, or like event or occurrence arising out of or related to this Covenant, I hereby direct any third party construing this Covenant, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to construe the provisions of this Covenant broadly in favor of enforcement.

7.3 Merger; Entire Covenant. This Covenant is a complete integration that sets forth the entire agreement between BluTaco and me, fully superseding any and all prior negotiations, agreements, representations, and understandings between BluTaco and me, whether oral or written, related to the subject matter of this Covenant. I hereby expressly affirm that there are no oral or written agreements, "side-deals," arrangements, or understandings between BluTaco and me except as expressly set forth in this Covenant. No course of dealing, whether occurring before or after the date I made this Covenant, shall operate to amend, terminate, or waive any express written provision of this Covenant.

7.4 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto. References to agreements, documents, guaranties, and other agreements and instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

7.5 Partial Invalidity. If any provision of this Covenant is declared invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; and if it cannot be so modified, then severed. The balance of this Covenant shall remain in full force and effect, and I agree that I would have signed this Covenant as so modified.

7.6 Effect of Recitals. The Recitals to this Covenant shall be construed as a material and enforceable part of this Covenant for all purposes, and shall in no event be considered prefatory language or mere surplusage.

7.7 Further Assurances. I hereby covenant, warrant, represent, and agree that: (i) I will perform such acts and will execute and deliver such agreements and other documents to BluTaco as BluTaco may deem necessary or beneficial to effect the intent of this Covenant; (ii) I will not condition the performance of such acts or the execution and delivery of such agreements and other documents; (iii) I will not delay the performance of such acts; and (iv) I will deliver such agreements and other documents, duly notarized if BluTaco requires that such agreements and other documents be notarized, to Employer or BluTaco so that Employer or BluTaco actually receives such agreements and other documents by the end of ten (10) days after Employer or BluTaco delivers them to me for execution.

7.8 Successors and Assigns. This Covenant shall be binding on me and on my successors, heirs, and assigns.

7.9 I Am Not a Beneficiary. I acknowledge and agree that notwithstanding anything set forth in this Covenant or any other agreement to the contrary: (i) all obligations BluTaco owes are owed to Employer alone, and not to me; (ii) I shall not be entitled to rely on, enforce, or obtain relief for breach of, any of BluTaco's obligations arising out of or related to any agreement, whether directly, indirectly, by subrogation, as an intended third-party beneficiary, or otherwise; and (iii) I will not make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand, that alleges, asserts, or otherwise raises any matter contrary to Clause (i) or Clause (ii) of this Section 7.9.

7.10 This is Not a Contract of Employment. I acknowledge and agree that this Covenant is not a contract of employment.

7.11 Date. If I do not date this Covenant in the space provided for the date beneath my signature: (i) such failure by me shall have no effect on the effectiveness of this Covenant; and (ii) BluTaco may, if it desires to do so, enter such date as BluTaco deems appropriate.

I ACKNOWLEDGE AND AGREE THAT I HAVE READ AND FULLY UNDERSTAND ALL OF THE PROVISIONS OF THIS COVENANT. I HAVE HAD A FULL AND FAIR OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF MY CHOOSING RELATED TO THIS COVENANT, AND I HAVE EITHER DONE SO OR I HAVE KNOWINGLY, INTELLIGENTLY, AND VOLUNTARILY ELECTED NOT TO DO SO. I HAVE NOT RECEIVED, AND I AM NOT RELYING ON, ANY REPRESENTATION OR PROMISE BY BLUTACO, OR ANY PERSON ACTING ON BLUTACO'S BEHALF, ARISING OUT OF OR RELATED TO THIS COVENANT, EXCEPT AS EXPRESSLY SET FORTH IN THIS COVENANT.

I FURTHER ACKNOWLEDGE AND AGREE THAT I AM SIGNING THIS COVENANT OF MY OWN FREE WILL AND VOLITION, AND WITHOUT ANY DURESS OR COERCION.

IN WITNESS WHEREOF, intending to be legally bound by this Covenant, I have duly executed and delivered this Covenant.

____	____
Signature	Signature
____	____
Print Name	Print Name
Date: ______________________, 20____	Date: ______________________, 20____
Address:	Address:
____	____
____	____
____	____
____	____

______________________ Signature	______________________ Signature
______________________ Print Name	______________________ Print Name
Date: ______________________, 20____	Date: ______________________, 20____
Address:	Address:
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

______________________ Signature	______________________ Signature
______________________ Print Name	______________________ Print Name
Date: ______________________, 20____	Date: ______________________, 20____
Address:	Address:
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

______________________ Signature	______________________ Signature
______________________ Print Name	______________________ Print Name
Date: ______________________, 20____	Date: ______________________, 20____
Address:	Address:
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

SCHEDULE F

TELEPHONE NUMBERS AND LISTINGS AGREEMENT

INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT (the "Agreement") is made and entered into this day of ________________ (the "Effective Date") by and between BluTaco Franchising, LLC, a Delaware limited liability company with its principal place of business at 120 Commerce Drive, Holts Summit, Missouri 65043 (the "Franchisor"), and ________________________, a(n) ______________________________, with its principal place of business located at______________________________ and ______________________ _______'s principal(s) ________________________, an individual residing at ______________________ _______ and________________________, an individual residing at _____________________________ ("Principal(s)"). ______________ and Principal(s) shall be collectively referred to in this Agreement as the "Franchisee".

WHEREAS, Franchisee desires to enter into a franchise agreement with Franchisor for a BluTaco business ("Franchise Agreement") which will allow Franchisee to conduct internet-based advertising, maintain social media and software accounts, and use telephone listings linked to the BluTaco brand.

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

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

1. Definitions

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. Internet Advertising and Telephone Accounts

2.1 Interest in Websites, Social Media and Software Accounts and Other Electronic Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, software accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet websites, and the right to hyperlink to certain websites and listings on various internet search engines (collectively, "Electronic Advertising") related to the Franchised Business or the Marks.

2.2 Interest in Telephone Numbers and Listings. Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the "Telephone Listings") related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media and software companies, and other listing agencies (collectively, the "Internet Companies") with which Franchisee has Electronic Advertising: (i) to transfer all of Franchisee's interest in such Electronic Advertising to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising, Franchisee will immediately direct the Internet Companies to terminate such Electronic Advertising or will take such other actions with respect to the Electronic Advertising as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Listings: (i) to transfer all Franchisee's interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee's interest in and to the Electronic Advertising to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Electronic Advertising;

2.4.2 Direct the Telephone Companies to transfer all Franchisee's interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee's interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee's interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. **Miscellaneous**

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware, without regard to the application of Delaware conflict of law rules.

-Remainder of Page Intentionally Blank-

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

BLUTACO FRANCHISING, LLC

By:____

____________________, _________________________
(Print Name, Title)

FRANCHISEE:

____

By:____

__________________________,____________________
(Print Name, Title)

PRINCIPAL:

____

____
(Print Name)

PRINCIPAL:

____

____

SCHEDULE H

FORM OF RELEASE, ESTOPPEL, COVENANT NOT TO SUE, AND INDEMNIFICATION

Release, Estoppel, Covenant Not to Sue, and Indemnification

Preliminary Note

This Schedule I contains parts of sample agreements. These parts include two types of provisions: (i) the Caption, Recitals, and Consideration Clause; and (ii) the Release.

The Caption, Recitals, and Consideration Clause are included in this Schedule I to provide definitions and to show context. The Release (Sections 1 through 4) contains the release, estoppel, covenant not to sue, and indemnification provisions, together with the related provisions, described in Sections 3.2.6, 6.3, 8.2.1, 18.4.2.5, and 18.5.1.1 of the Franchise Agreement.

Except for Sections 1 through 4, the actual agreements Franchisee would sign in connection with Sections 3.2.6, 6.3, 8.2.1, 18.4.2.5, and 18.5.1.1 of the Franchise Agreement would contain additional provisions, and substantially different provisions, than the provisions set forth in this Schedule I.

Sections 1 through 4 may be printed in bold print, and will be modified as reasonably necessary and included in the applicable agreement.

[Name of Agreement]

THIS AGREEMENT (the "Agreement") is made and entered into the ______ day of ________________, 20____ (the "Effective Date"), by and among BluTaco Franchising, LLC, a Delaware limited liability company ("BluTaco") on the one hand; and _______________ _______________________, a _________________ ______________ ("Franchisee"); [and] _____________ ______________, an individual citizen of _____________________, and ___________________________, an individual citizen of _________________ (such individuals being referred to collectively in this Agreement as the "Principals") [; and _________________________________, a _____________________ ________________ ("Transferor"), and ________________________________, a _____________________ ________________ ("Transferee")] on the other hand.

Recitals

A. BluTaco, as franchisor, and Franchisee, as franchisee, are parties to that certain BluTaco® franchise agreement dated _____________________, 20____ (such franchise agreement, together with all schedules, exhibits, addenda, attachments, and amendments to it, being referred to collectively in this Agreement as the "Franchise Agreement"), related to the BluTaco franchise of Franchisee as described in such Franchise Agreement (the "Franchise").

[For Use Where Franchisee is Renewing the Franchise]

B. The Initial Term of the Franchise will expire at the end of _________________, 20____. Franchisee desires to renew the Franchise.

C. Franchisee and Principals are required to execute this Agreement in order to fulfill those certain pre-existing legal obligations of Franchisee and Principals set forth in Section 3.2.6 of the Franchise Agreement.

D. BluTaco is agreeable to such renewal, subject to, conditioned on, and in reliance on, compliance by Franchisee and Principals with Section 3.2.6 of the Franchise Agreement.

E. Principals own and hold substantially all of the equity in Franchisee, and anticipate substantial benefit from the renewal of the Franchise, and hence from this Agreement, without which Agreement BluTaco would not agree to renew the Franchise.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, and in further consideration of the Franchise Agreement, the Replacement Franchise Agreement, and the mutual promises and commitments set forth therein, and in further consideration of the sum of Ten and No/100 Dollars ($10.00) in-hand paid to Franchisee and each Principal, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties to this Agreement hereby agree as follows:

[FOR USE WHERE FRANCHISEE IS RELOCATING THE RESTAURANT]

B. Franchisee has requested that BluTaco permit Franchisee to relocate the Restaurant.

C. Franchisee and Principals are required to execute this Agreement in order to fulfill those certain pre-existing legal obligations of Franchisee and Principals set forth in Section 6.3 of the Franchise Agreement.

D. BluTaco is agreeable to such relocation, subject to, conditioned on, and in reliance on, compliance by Franchisee and Principals with Section 6.3 of the Franchise Agreement.

E. Principals own and hold substantially all of the equity in Franchisee, and anticipate substantial benefit from the relocation of the Restaurant, and hence from this Agreement, without which Agreement BluTaco would not agree to Franchisee's relocation of the Restaurant.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, and in further consideration of the Franchise Agreement and the mutual promises and commitments set forth therein, and in further consideration of the sum of Ten and No/100 Dollars ($10.00) in-hand paid to Franchisee and each Principal, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties to this Agreement hereby agree as follows:

[FOR USE WHERE FRANCHISEE IS OBTAINING EXTENSION OF OPENING DATE]

B. Franchisee has requested that BluTaco extend the Opening Date of the Restaurant.

C. Franchisee and Principals are required to execute this Agreement in order to fulfill those certain pre-existing legal obligations of Franchisee and Principals set forth in Section 8.2.1 of the Franchise Agreement.

D. BluTaco is agreeable to such extension, subject to, conditioned on, and in reliance on, compliance by Franchisee and Principals with Section 8.2.1 of the Franchise Agreement.

E. Principals own and hold substantially all of the equity in Franchisee, and anticipate substantial benefit from the extension of the Opening Date, and hence from this Agreement, without which Agreement BluTaco would not agree to extend the Opening Date.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, and in further consideration of the Franchise Agreement and the mutual promises and commitments set forth therein, and in further consideration of the sum of Ten and No/100

Dollars ($10.00) in-hand paid to Franchisee and each Principal, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties to this Agreement hereby agree as follows:

[FOR USE WHERE FRANCHISEE OR PRINCIPAL IS TRANSFERRING AN INTEREST]

B. [Franchisee] [Principal] desires to Transfer an Interest to Transferee.

C. Execution of this Agreement by Franchisee, Principals, Transferor, and Transferee is required in order to fulfill those certain pre-existing legal obligations of Franchisee, Principals, Transferor, and Transferee set forth in Section 18.4.2.5 of the Franchise Agreement.

D. BluTaco is agreeable to such Transfer, subject to, conditioned on, and in reliance on, compliance by Franchisee, Principals, Transferor, and Transferee with Section 18.4.2.5 of the Franchise Agreement.

E. Principals own and hold substantially all of the equity in Franchisee, and anticipate substantial benefit from the Transfer, and hence from this Agreement, without which Agreement BluTaco would not consent to such Transfer.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, and in further consideration of the Franchise Agreement and the Transfer, and in further consideration of the sum of Ten and No/100 Dollars ($10.00) in-hand paid to Franchisee, each Principal, Transferor, and Transferee, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties to this Agreement hereby agree as follows:

[FOR USE WHERE FRANCHISEE IS TRANSFERRING OPERATING RIGHTS]

B. Franchisee desires to transfer the Operating Rights in and to the Restaurant to Transferee.

C. Execution of this Agreement by Franchisee, Principals, and Transferee is required in order to fulfill those certain pre-existing legal obligations of Franchisee, Principals, and Transferee set forth in Section 18.5.1.1 of the Franchise Agreement.

D. BluTaco is agreeable to such transfer, subject to, conditioned on, and in reliance on, compliance by Franchisee, Principals, and Transferee with Section 18.5.1.1 of the Franchise Agreement.

E. Principals own and hold substantially all of the equity in Franchisee, and anticipate substantial benefit from the Transfer, and hence from this Agreement, without which Agreement BluTaco would not consent to such Transfer.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and commitments set forth in this Agreement, and in further consideration of the Franchise Agreement and the Transfer, and in further consideration of the sum of Ten and No/100 Dollars ($10.00) in-hand paid to Franchisee, each Principal, and Transferee, and for other good and valuable consideration, the receipt and sufficiency of all of which the parties hereby acknowledge, the parties to this Agreement hereby agree as follows:

[Release: For Use in All Situations]

1. Release; Estoppel; Covenant Not to Sue; Indemnification.

1.1 Release. Franchisee, for itself and its affiliates, and for its and such affiliates' directors, officers, shareholders, partners, members, employees, agents, and attorneys, together with Principals, [Transferor, and Transferee,] and further together with and for the predecessors, successors, heirs, and assigns of any and all of the foregoing (collectively, the "Releasing Parties"), hereby release, remise, acquit, and forever discharge BluTaco and its officers, members, employees, agents, and attorneys, and BluTaco's affiliates and each and all of such affiliates' directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the predecessors, successors, heirs, and assigns of any and all of them (collectively, the "Parties Released"), from and against any and all obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, that arise out of or are related to, or that may hereafter arise out of or relate to, for any matter prior to the Effective Date of this Agreement: (i) the Franchise Agreement; (ii) any and all other BluTaco franchise agreements between BluTaco and any of the Releasing Parties; (iii) any and all BluTaco restaurants owned, opened, operated, or closed by Franchisee or any of the other Releasing Parties; (iv) [such other matters as BluTaco deems appropriate]; and (v) the business relationship between any or all of the Parties Released on the one hand, and any or all of the Releasing Parties on the other hand; including, without limitation, the BluTaco franchise offering, the BluTaco franchise offering documents, the offer and sale of the BluTaco franchise, and the registration, non-registration, exemption from registration, or non-exemption from registration of the BluTaco franchise and the BluTaco franchise offering.

1.1.1 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby covenant, warrant, represent, and agree that neither they nor any of them have assigned or transferred any of the obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, or liabilities described in this Section 1.1 of this Agreement to any third party.

1.1.2 If any Releasing Party raises or asserts any obligation, claim, demand, right, action, or cause of action described in this Section 1.1 of this Agreement, or alleges any debt, loss, losses, damage, damages, expense, cost, liability, or liabilities described in this Section 1.1 of this Agreement, this Section 1.1 shall be a complete and conclusive defense thereto.

1.2 Estoppel.

1.2.1 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that:

1.2.1.1 Neither the Parties Released nor any of them, at any time prior to the Effective Date of this Agreement, committed any breach of the Franchise Agreement or any other agreement or document related to the Franchised Business, which other documents include, without limitation, the Franchise Disclosure Document that BluTaco delivered to Franchisee, as prospective franchisee, which delivery was due and proper in every respect;

1.2.1.2 Neither the Parties Released nor any of them, at any time prior to the Effective Date of this Agreement, committed any violation of any constitution, statute, rule, regulation, ordinance, case law, or any other law; including, without limitation, the FTC Franchise Rule, [jurisdictions' franchise Laws or other relevant Laws], or otherwise, arising out of or related to the Franchised Business, the Restaurant, the BluTaco franchise offering, the BluTaco franchise offering documents, the offer and sale of the BluTaco franchise, and the registration, non-registration, exemption from registration, or non-exemption from registration of the BluTaco franchise and the BluTaco franchise offering; and

1.2.1.3 Neither the Parties Released, nor any of them, owes the Releasing Parties, or any of them, any obligation, debt, claim, demand, right, action, cause of action, loss, losses, damage, damages, expense, cost, liability, or liabilities of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, that arises out of or is related to, or that may hereafter arise out of or relate to, any matter that is within the scope of the Release set forth in Section 1.1 of this Agreement.

1.2.2 If any Releasing Party raises or asserts any obligation, claim, demand, right, action, or cause of action described in Section 1.1 or this Section 1.2 of this Agreement, or alleges any debt, loss, losses, damage, damages, expense, cost, liability, or liabilities described in Section 1.1 or this Section 1.2 of this Agreement, this Section 1.2 shall be a complete and conclusive defense thereto.

1.3 Covenant Not to Sue. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby covenant, warrant, represent, and agree that neither they nor any of them will: (i) make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand; (ii) commence, or cause or permit to be commenced; (iii) prosecute, or cause or permit to be prosecuted; or (iv) assist or cooperate in the commencement or prosecution of, any suit or action at law or in equity or otherwise, any arbitration or like proceeding, or any administrative or agency proceeding, against or related to the Parties Released, or any of them, for any matter arising out of or related to, or that may hereafter arise out of or relate to: (a) the Release set forth in Section 1.1 of this Agreement; (b) any matter that is within the ambit of such Release; (c) the Estoppel set forth in Section 1.2 of this Agreement; or (d) any matter that is within the ambit of such Estoppel.

1.4 Indemnification. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby covenant, warrant, represent, and agree that they and the other Releasing Parties: (i) will indemnify the Parties Released for, and will hold harmless the Parties Released from, any breach of Sections 1.1, 1.2, or 1.3 of this Agreement; and (ii) will pay the amount of all losses and expenses arising out of or related to any breach of Sections 1.1, 1.2, or 1.3 of this Agreement so that the Party Released to which such payment is owed actually receives such payment by end of ten (10) days after demand therefor. Such losses and expenses shall include, without limitation, attorneys' fees and costs, including without limitation attorneys' fees and costs of appeal, and further including without limitation attorneys' fees and costs of collection. Each Party Released shall have the right to counsel such Party Released reasonably chooses. No Party Released will be required to seek recovery from any insurer, other third party, or otherwise, or to mitigate any loss and expense, to maintain and recover fully a claim under this Section 1.4. No failure to pursue such recovery or to mitigate a loss or expense will in any way reduce or alter the amounts any Party Released is entitled to recover. The obligations of [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and the other Releasing Parties under this Section 1.4: (a) shall be joint and several; and (b) shall be within the ambit of all guaranties made by [Franchisee's Principals] [Franchisee's Principals, Transferor, Transferor's Principals, Transferee, Transferee's Principals], and other guarantors, all of which shall remain in full force and effect.

2. Acknowledgments.

2.1 Authority. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] covenant, warrant, represent, and agree that they have the authority to bind themselves and the other Releasing Parties to Section 1, this Section 2, Section 3, and Section 4 of this Agreement. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] acknowledge and agree that BluTaco is reasonably relying on [Franchisee's and Principals'] [Franchisee's, Principals', Transferor's, and

Transferee's] covenants, warranties, representations, and agreements set forth in this Section 2.1 to BluTaco's detriment.

2.2 Full Effect. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby expressly agree that Section 1.1 of this Agreement shall be given full force and effect according to each and all of its terms and provisions, express and implied, including without limitation: (i) those relating to unknown obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities, if any; and (ii) those relating to any obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities other than those specified.

2.3 Additional or Different Facts; Mistake of Fact; Assumption of Risk. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] hereby acknowledge and agree that: (i) [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and the other Releasing Parties may discover facts different from or in addition to those they now know or believe to be true with respect to, or that there may be a mistake of fact with respect to, the obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities of any nature whatsoever, and the other matters, that are the subject of the Release, Estoppel, Covenant Not to Sue, and Indemnification set forth in Section 1 of this Agreement; (ii) [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and such other Releasing Parties hereby expressly assume the risk of the existence of additional facts, different facts, or mistakes of fact; and (iii) Section 1, this Section 2, Section 3, and Section 4 of this Agreement shall be and remain in full force and effect regardless of such additional facts, different facts, or mistakes of fact.

2.4 Voluntary Nature of Agreement. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that: (i) [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] have freely and voluntarily entered into this Agreement, including without limitation the Release, Estoppel, Covenant Not to Sue, and Indemnification set forth in Section 1 of this Agreement; (ii) [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] have had a full and fair opportunity to consult with their legal counsel with respect to this Agreement, including without limitation such Release, Estoppel, Covenant Not to Sue, and Indemnification, and that [they have in fact done so] [they have knowingly, intelligently, and voluntarily elected not to do so]; and (iii) they have read and fully understand this Agreement.

2.5 Consideration. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that BluTaco is forbearing the exercise of certain rights in connection with this Agreement, and is granting [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] certain valuable rights in connection with this Agreement, in specific consideration of the Release, Estoppel, Covenant Not to Sue, and Indemnification set forth in Section 1 of this Agreement, without which Release, Estoppel, Covenant Not to Sue, and Indemnification BluTaco would not have agreed to forbear the exercise of such rights or granted [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] the rights related to this Agreement, which rights include without limitation, [the renewal of the Franchise] [the relocation of the Restaurant] [BluTaco's agreement to extend the Opening Date] [BluTaco's consent to the Transfer of the Interest] [BluTaco's consent to the Transfer of Operating Rights].

2.6 Beneficiaries. The Parties Released are first-party direct beneficiaries or intended third-party beneficiaries of Section 1, this Section 2, Section 3, and Section 4 of this Agreement, are entitled to enforce such sections, and are entitled to all the benefits of such sections.

2.7 Intent of the Parties; Essential Purpose. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that the intent of the parties as to Section 1 of this Agreement, and that the essential purpose of Section 1 of this Agreement, is that the Releasing Parties give the Parties Released: (i) a full and complete release, estoppel, and covenant not to sue for all matters prior to the Effective Date of this Agreement; and (ii) a full and complete indemnification for any breach of such release, estoppel, or covenant not to sue.

2.8 Remedies.

2.8.1 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that: (i) in the event of any breach of Section 1 of this Agreement, the Parties Released would be irreparably injured and without adequate remedy at law; and (ii) in the event of a breach or a threatened or attempted breach of any provision of Section 1, [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] agree that the Parties Released will be entitled, in addition to any other remedies such Parties Released may have at law or in equity or otherwise, to a preliminary and permanent injunction and a decree for specific performance of the provisions of Section 1 without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

2.8.2 In addition to the rights of the Parties Released set forth in Section 2.8.1 of this Agreement above, [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] hereby acknowledge and agree that any breach of Section 1 of this Agreement by the Releasing Parties, or any of them, will be a breach of Section 20.4.7 of the [Replacement] Franchise Agreement that will permit BluTaco to terminate the [Replacement] Franchise Agreement, after notice to Franchisee specifying the breach, and after the expiration of the cure period set forth in Section 20.4.7 and Franchisee's failure to cure such breach by the end of such cure period.

3. **Miscellaneous**.

3.1 Time. Time is of the essence to the performance of all obligations of [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] to be performed under this Agreement and the [Replacement] Franchise Agreement.

3.2 Amendments. This Agreement may be amended only by a written agreement signed by the parties.

3.3 Previous Payments. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] hereby acknowledge and agree that all sums of money [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], or any of their affiliates paid to BluTaco or BluTaco's affiliates are and shall remain the sole property of BluTaco and BluTaco's affiliates, and that [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and their affiliates shall not have any rights thereto.

3.4 Waiver and Delay. No waiver or delay by BluTaco in requiring strict compliance with any obligation of the [Replacement] Franchise Agreement or this Agreement, or in the exercise of any right or remedy provided in the [Replacement] Franchise Agreement or this Agreement or at law or in equity or otherwise, and no custom or practice at variance with the requirements of the [Replacement] Franchise Agreement or this Agreement, will constitute a waiver or modification of any such obligation, right, remedy, or requirement, or preclude the exercise of any such right or remedy or the right to require strict compliance with any obligation set forth in the [Replacement] Franchise Agreement or this Agreement, or will preclude, affect, or impair enforcement of any right or remedy provided in the [Replacement] Franchise Agreement or this Agreement or at law or in equity or otherwise. All remedies under the [Replacement]

Franchise Agreement, this Agreement, at law, in equity, or otherwise, afforded to BluTaco shall be cumulative and not alternative, and may be exercised simultaneously or sequentially in any order.

3.5 Governing Law. All matters arising out of or related to the [Replacement] Franchise Agreement or this Agreement, including without limitation all matters arising out of or related to the making, existence, construction, enforcement, and sufficiency of performance of the [Replacement] Franchise Agreement or this Agreement, shall be determined exclusively in accordance with, and governed exclusively by, the laws of the State of Delaware applicable to agreements made and to be entirely performed within the State of Delaware, which laws shall prevail in the event of any conflict of laws.

3.6 Forum, Venue, and Jurisdiction. In the event of any dispute arising out of or related to the [Replacement] Franchise Agreement or this Agreement, including without limitation any dispute arising out of or related to the making of the [Replacement] Franchise Agreement or this Agreement, such dispute shall be resolved exclusively through litigation. The exclusive forum and venue for such litigation shall be a state or federal court in or for the city or county where BluTaco's principal business office is located. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby irrevocably accept and submit to, generally and unconditionally, the exclusive jurisdiction of any such state or federal court and hereby waive all defenses based on jurisdiction, venue, and forum non conveniens. The provisions of this Section 3.6 shall remain in full force and effect after the expiration or termination of the [Replacement] Franchise Agreement.

3.7 Waiver of Trial by Jury. BLUTACO, FOR ITSELF AND THE OTHER PARTIES RELEASED, AND [FRANCHISEE AND PRINCIPALS] [FRANCHISEE, PRINCIPALS, TRANSFEROR, AND TRANSFEREE], FOR THEMSELVES AND THE OTHER RELEASING PARTIES, HEREBY WAIVE TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATED TO THE [REPLACEMENT] FRANCHISE AGREEMENT OR THIS AGREEMENT.

3.8 Attorneys' Fees. In the event of any dispute or litigation arising out of or related to the [Replacement] Franchise Agreement or this Agreement, including without limitation any dispute or litigation arising out of or related to the making of the [Replacement] Franchise Agreement or this Agreement, Franchisee shall pay to BluTaco, on demand, BluTaco's costs, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of appeal, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection, so that BluTaco actually receives such amounts by the end of ten (10) days after demand therefor. In the event of any breach of the [Replacement] Franchise Agreement or this Agreement, Franchisee shall pay to BluTaco, on demand, BluTaco's costs arising out of or related to such breach, including without limitation BluTaco's reasonable attorneys' fees and costs, and further including without limitation BluTaco's reasonable attorneys' fees and costs of collection, so that BluTaco actually receives such amounts by the end of ten (10) days after demand therefor.

3.9 Further Assurances. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] hereby covenant, warrant, represent, and agree that: (i) they will perform such acts and will execute and deliver such agreements and other documents to BluTaco as BluTaco may deem necessary or beneficial to effect the intent of this Agreement; (ii) they will not condition the performance of such acts or the execution and delivery of such agreements and other documents; (iii) they will not delay the performance of such acts; and (iv) they will deliver such agreements and other documents, duly notarized if BluTaco requires that such agreements and other documents be notarized, to BluTaco so that BluTaco actually receives such agreements and other documents by the end of ten (10) days after BluTaco delivers them to Franchisee.

4. **Construction**.

4.1 Construe In Favor of Enforcement. In the event of any litigation or like event or occurrence arising out of or related to [Franchisee's, Principals'] [Franchisee's, Principals', Transferor's, Transferee's], or any other Releasing Party's obligations set forth in this Agreement, or arising out of or related to the matters set forth in this Agreement, [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby direct any third party construing this Agreement, including without limitation any court, mediator, master, or other party acting as trier of fact or law, to construe such provisions broadly in favor of enforcement.

4.2 Merger; Entire Agreement, Compliance. This Agreement, together with the [Replacement] Franchise Agreement, is a complete integration that sets forth the entire agreement [between] [among] the parties, fully superseding any and all prior negotiations, agreements, representations, or understandings among [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] on the one hand, and BluTaco on the other hand, whether oral or written, arising out of or related to the matters set forth in this Agreement. [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and BluTaco hereby expressly affirm that there are no oral or written agreements, "side-deals," arrangements, or understandings between [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] on the one hand, and BluTaco on the other hand, arising out of or related to the matters set forth in this Agreement, except as expressly set forth in this Agreement. No course of dealing, whether occurring before or after the Effective Date of this Agreement, shall operate to amend, terminate, or waive any express written provision of this Agreement. In the event of any conflict between any provision of this Agreement and a provision of the [Replacement] Franchise Agreement, the provision set forth in this Agreement shall control. Except as amended by this Agreement, all provisions of the [Replacement] Franchise Agreement shall remain in full force and effect according to their terms, and the parties shall continue to be bound by such [Replacement] Franchise Agreement as modified by this Agreement.

4.3 Interpretation. The word "including" means "including without limiting the scope or generality" of any word or words related thereto. References to agreements, documents, guaranties, and like agreements and instruments shall be deemed to refer as well to all schedules, exhibits, addenda, attachments, and amendments thereto.

4.4 Obligations Benefit Only Franchisee.

4.4.1 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby: (i) acknowledge and agree that all obligations of BluTaco set forth in the [Replacement] Franchise Agreement and this Agreement shall benefit only Franchisee; (ii) acknowledge and agree that no individual or other entity except Franchisee shall have any right to rely on, enforce, benefit from, or obtain relief for breach of, any obligation of BluTaco set forth in the [Replacement] Franchise Agreement or this Agreement, either directly or by subrogation; and (iii) covenant, warrant, represent, and agree that neither Franchisee nor Transferee nor any other Releasing Party will make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand, that alleges, asserts, or otherwise raises any matter contrary to Clause (i) or Clause (ii) of this Section 4.4.1.

4.4.2 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that: (i) in the event of any breach of Section 4.4.1 of this Agreement, BluTaco would be irreparably injured and without adequate remedy at law; and (ii) in the event of a breach or a threatened or attempted breach of any provision of Section 4.4.1 of this Agreement, BluTaco will be entitled, in addition to any other remedies BluTaco may have at law or in equity or otherwise, to a preliminary and permanent injunction and a decree for specific performance of the provisions of Section 4.4.1, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

4.5 Partial Invalidity. Except as otherwise set forth in this Section 4.5, if any provision of this Agreement is declared invalid or unenforceable for any reason, such provision shall be modified to the minimum extent necessary to make it valid and enforceable; or if it cannot be so modified, then severed, and the remaining provisions of this Agreement shall remain in full force and effect, and the parties agree that they would have signed this Agreement as so modified. Notwithstanding the foregoing, if any provision of Section 1, Section 2, Section 3, or this Section 4 shall be declared invalid or unenforceable such that the Release, Estoppel, Covenant Not to Sue, or Indemnification set forth in Section 1 of this Agreement partially, substantially, or completely fails of its essential purpose, the [renewal of the Franchise] [consent to relocate the Restaurant, provided the relocated Restaurant has not already opened for business] [extension of the Opening Date, provided the Restaurant has not already opened for business] [Transfer of the Interest] [Transfer of Operating Rights] shall be voidable by BluTaco. If BluTaco avoids the [renewal of the Franchise] [relocation of the Restaurant] [extension of the Opening Date] [Transfer of the Interest] [Transfer of Operating Rights], such avoidance may be as of the Effective Date or as of any time thereafter, at BluTaco's discretion.

4.6 Effect of Recitals. The Recitals to this Agreement shall be construed as a material and enforceable part of this Agreement for all purposes, and shall in no event be considered prefatory language or mere surplusage.

4.7 No Adverse Construction. All parties to this Agreement are skilled and experienced business professionals, [all have been represented by skilled and experienced counsel in the negotiation, drafting, execution, and delivery of this Agreement,] and all have contributed to the negotiation and drafting of this Agreement. As a result, in no event may any adverse construction of this Agreement be attributed to any party as the drafting party.

4.8 Survival of Obligations. All obligations of this Agreement that expressly or by their nature require performance after the termination or expiration of the [Replacement] Franchise Agreement, or that by their nature would reasonably be expected to continue in effect after termination or expiration of the [Replacement] Franchise Agreement, shall continue in full force and effect after and notwithstanding the termination or expiration of the [Replacement] Franchise Agreement, until they are satisfied in full or by their nature expire.

4.9 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same agreement.

4.10 Submission of Agreement; Effectiveness. Submission of this Agreement to [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee] does not constitute an offer to enter into a contract. This Agreement shall not be binding on BluTaco unless and until: (i) it is duly executed by BluTaco's authorized officer; and (ii) such duly-executed Agreement is delivered to Franchisee.

IN WITNESS WHEREOF, the parties to this Agreement, intending to be legally bound by this Agreement, have duly executed and delivered this Agreement as of the Effective Date.

[FORM ONLY: SIGNATURES OF BLUTACO, FRANCHISEE, PRINCIPALS, TRANSFEROR, AND TRANSFEREE, AS APPROPRIATE, INTENTIONALLY OMITTED]

SCHEDULE I

FORM OF ESTOPPEL CERTIFICATE

[LETTERHEAD]

[Date]

Via [Method of Delivery]

[Franchisee's Name]
[Franchisee's Address]
[Franchisee's Address]
[Franchisee's Address]

Re: *BluTaco® Franchise Agreement between BluTaco Franchising, LLC ("BluTaco") and __________________________ ("Franchisee") dated ________________, 20____ (the "Franchise Agreement"):* ***Estoppel Certificate***

Dear ___________________:

As you know, Franchisee and BluTaco are parties to the above-referenced Franchise Agreement. The Franchise Agreement requires Franchisee to provide BluTaco with a completed copy of this Estoppel Certificate, dated and executed by you if Franchisee is a proprietorship, by Franchisee's chief executive officer if Franchisee is a corporation, by Franchisee's managing partner if Franchisee is a partnership, or by Franchisee's managing member if Franchisee is a limited liability company, so that BluTaco actually receives it back from Franchisee by the end of ten (10) days after the date BluTaco delivers it to Franchisee.

Please review the matters set forth below, and provide BluTaco with true, accurate, and complete responses:

__________ **(Initial)** 1. BluTaco is not in breach of the Franchise Agreement.

OR

2. BluTaco is in breach of the Franchise Agreement in the following respects:

____
____
____
____
____
____

Please attach additional paper if you need additional space to give true, accurate, and complete responses.

BluTaco has enclosed a self-addressed envelope for your convenience.

Thank you for your cooperation in this matter. If you have any questions or comments, please call me at ________________________.

Very truly yours,

BLUTACO FRANCHISING, LLC

[SENDER'S NAME]

___/__
Enclosure

cc: [Recipient]
[Recipient]
[Recipient]

Certified to be true and correct this _______day

of ____________________, 20_____.

[FRANCHISEE'S NAME]

By: ______________________________________
(Signature)

Name: ______________________________________
(Print Name)

Title: ______________________________________

EXHIBIT B

BLUTACO FRANCHISING, LLC

STATE REGULATIONS AND REQUIREMENTS ADDENDUM

STATE REGULATIONS AND REQUIREMENTS ADDENDUM

The following are additional disclosures for our Multistate Franchise Disclosure Document. Various state franchise laws require us to make these additional disclosures. These additional disclosures will not apply to you unless you meet the jurisdictional requirements of the applicable state franchise registration and disclosure law independently without reference to these additional disclosures. These disclosures supplement our Disclosure Document and supersede any conflicting information contained in the body of the Disclosure Document:

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT

Illinois law shall apply to and govern the Franchise Agreement.

Item 5 of this Franchise Disclosure Document is revised to include the following language: Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's Financial condition.

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.

Franchisee's right 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 is void.

AMENDMENT TO THE BLUTACO FRANCHISING, LLC FRANCHISE AGREEMENT REQUIRED BY THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS §§ 705/1 et seq. (1987) (the "Act"), which govern the attached Board and Brush Creative Studio Franchise Agreement (the "Franchise Agreement"), the parties thereto agree as follows:

1. To the extent of any inconsistences, the Franchise Agreement is hereby amended to further state:

   "Section 4 of the Act provides that no franchisee shall be required to litigate any cause of action, with the exception of arbitration proceedings, arising under the Franchise Agreement or the Act outside of the State of Illinois."

2. To the extent of any inconsistences, the Franchise Agreement is hereby amended to further state:

   "Illinois law governs the terms of this Franchise Agreement."

3. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

   "Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Act, or any other Illinois law is void. The foregoing requirement, however, shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, and shall not prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code."

4. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

   "To the extent any provision regarding termination or renewal of the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act §§ 815 ILCS §§ 705/19 and 705/20, the provisions of these sections of the Act will control."

5. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

6. Section 4.1 of the Franchise Agreement is revised to include the following language:

   Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's Financial condition.

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The parties hereto have duly executed this Illinois Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

BLUTACO FRANCHISING, LLC

By:____

_______Shawn Burcham,_______President and CEO_____
(Print Name, Title)

FRANCHISEE:

____

By:____

___________________________,____________________
(Print Name, Title)

PRINCIPAL:

____

____
(Print Name)

PRINCIPAL:

____

____
(Print Name)

ADDENDUM TO THE
BLUTACO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NORTH DAKOTA

The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, NDCC § 51-19 *et seq.* ("NDFIL"). To the extent that (a) the jurisdictional requirements of the NDFIL are met and (b) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

1. Covenants not to compete upon termination or expiration of the franchise agreement are subject to NDCC § 9-08-06.

2. To the extent required by the NDFIL, arbitration proceedings shall take place at a location mutually agreed upon by you and us.

3. Any requirement that you consent to liquidated damages or termination penalties shall not apply to the extent prohibited by the NDFIL;

4. Any requirement that you consent to (i) the jurisdiction of courts outside of North Dakota, (ii) the application of laws of a state other than North Dakota, (iii) waiver of jury trial or (iv) waiver of exemplary and punitive damages shall not apply to the extent prohibited by the NDFIL;

5. Any release required as a condition to a renewal of the franchise agreement shall not apply to the extend prohibited by the NDFIL;

6. Any requirement that you consent to a limitation of claims shall not apply to the extent prohibited by the NDFIL. As applicable, the statute of limitations under North Dakota law shall control.

7. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

The parties hereto have duly executed this North Dakota Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

BLUTACO FRANCHISING, LLC

By:____

Shawn Burcham, President and CEO
(Print Name, Title)

FRANCHISEE:

____

By:____

___________________________,____________________
(Print Name, Title)

PRINCIPAL:

____

____
(Print Name)

PRINCIPAL:

____

____
(Print Name)

EXHIBIT C

BLUTACO FRANCHISING, LLC

STATE ADMINISTRATORS
AND
AGENTS FOR SERVICE OF PROCESS

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

State	State Agency	Agent for Service of Process
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8211 Phone (212) 416-6042 Fax	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

Our agent for service of process in the State of Missouri is as follows:
Shawn Burcham
120 Commerce Drive
Holts Summit, Missouri 65043

EXHIBIT D

BLUTACO FRANCHISING, LLC

FINANCIAL STATEMENTS

Financial Statements
December 31, 2023 and 2022

BluTaco Franchising, LLC

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Member
BluTaco Franchising, LLC
Holts Summit, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BluTaco Franchising, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, member's equity, and cash flows for the years then ended, 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 BluTaco Franchising, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BluTaco Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BluTaco Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

Eide Bailly LLP

Fargo, North Dakota
March 20, 2024

	2023	2022
Assets		
Current Assets		
Cash	$ 8,976	$ 17,397
Accounts receivable	1,719	1,685
Current assets from transferred operations to a Franchisor-affiliated entity	-	113,228
Total current assets	10,695	132,310
Property and Equipment from discontinued operations	-	87,546
Operating lease right-of-use asset from transferred operations to a Franchisor-affiliated entity	-	421,393
	$ 10,695	$ 641,249
Liabilities and Member's Equity		
Current Liabilities		
Due to member	$ 3,608	$ -
Current liabilities from transferred operations to a Franchisor-affiliated entity	-	131,465
Total current liabilities	3,608	131,465
Long-Term Liabilities from transferred operations to a Franchisor-affiliated entity	-	362,348
Total Liabilities	3,608	493,813
Member's Equity	7,087	147,436
	$ 10,695	$ 641,249

	2023	2022
Revenues		
License fee	$ 7,277	$ 7,091
Operating Expenses		
Professional fees	28,729	28,732
Credit card and bank fees	3,577	1,061
Taxes and licenses	3,743	3,252
Total operating expenses	36,049	33,045
Net Loss from Continued Operations	(28,772)	(25,954)
Net Loss from Transferred Operations to a Franchisor-affiliated entity	(168,313)	(285,532)
Net Loss	$ (197,085)	$ (311,486)

		Member's Equity
Balance, December 31, 2021	$	163,922
Net loss		(311,486)
Capital contribution		295,000
Balance, December 31, 2022		147,436
Net loss		(197,085)
Capital contribution		130,000
Distribution		(73,264)
Balance, December 31, 2023	$	7,087

	2023	2022
Operating Activities		
Net loss	$ (197,085)	$ (311,486)
Adjustments to reconcile net loss to net cash used for operating activities		
Depreciation	4,121	9,112
Changes in assets and liabilities		
Accounts receivable	101,969	(1,168)
Inventories	(699)	(1,247)
Prepaid expenses	-	5,000
Accounts payable	(3,866)	3,619
Accrued liabilities	(1,374)	3,355
Customer deposits	417	2,633
Due to member	(20,514)	6,819
Net Cash used for Operating Activities	(117,031)	(283,363)
Financing Activities		
Distribution	(21,390)	-
Capital contributions	130,000	295,000
Net Cash from Financing Activities	108,610	295,000
Net Change in Cash	(8,421)	11,637
Cash, Beginning of Year	17,397	5,760
Cash, End of Year	$ 8,976	$ 17,397
Supplemental Disclosure of Non-cash Financing Activities		
Non-cash Distribution of Restaurant Activities (See Note 1 and 10)		
Accounts receivable	$ 2,289	$ -
Inventories	9,635	-
Property and equipment	83,425	-
Operating lease right-of-use asset	85,586	-
Due to member	17,569	-
Gift cards payable	11,559	-
Operating lease liability	85,586	-
Accrued liabilities	14,347	-
Total non-cash distribution to related party	$ 51,874	$ -

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

BluTaco Franchising, LLC (the Company) was formed on October 26, 2017, for the purpose of owning, operating and selling BluTaco franchises and will continue perpetually until dissolution. The Company sells two types of franchises, "BWB" and "Freestanding". "BWB" or "business within a business" is a franchise for the operation of BluTaco restaurants inside an existing business, such as a convenience store or grocery store. "Freestanding" franchises are standalone restaurants. The Company owned and operated a standalone restaurant until August 1, 2023, when it's activities were distributed to Pro Foods Systems, Inc, a related party. The Company does not charge the franchisees an initial startup fee for this type of franchise. The Company derives a license fee from the affiliate Pro Food Systems, Inc. for the sale of product to the franchisees. The Company had 34 and 34 existing franchisees as of December 31, 2023 and 2022, respectively. The company awarded 5 new franchisees in 2023 and 4 new franchisees in 2022. The company closed 5 and 10 franchises in 2023 and 2022, respectively.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts which may occasionally exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. The company held no balances in excess of insured limits as of December 31, 2023 and 2022.

Receivables and Credit Policy

The Company states its accounts receivable balance at the amount management expects to be collectible, and the balance in 2023 consists entirely of quarterly license fees due from Pro Food Systems, Inc., an affiliate (see Note 5, Related Party Transactions). In 2022, it also included amounts due from customers that are uncollateralized customer obligations or amounts owed from third party ATM or credit card vendors. These were due under normal trade terms requiring payment within 30 days from the invoice date. The Company expects this balance to be fully collectible. As such, no allowance for credit loss is required. If any accounts do become uncollectible, they will be charged to operations as appropriate.

Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value. Inventory consists of food items and supplies. Inventories are presented within the current assets from transferred operations to a Franchisor-affiliated entity on the balance sheet.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from three to fifteen years.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2023 and 2022.

Gift Card Payable

Revenue from gift cards is deferred and recognized upon the redemption of the cards. The Company's gift card liability was $0 and $11,142 as of, December 31, 2023 and 2022 respectively.

Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to the member in accordance with their respective percentage ownership. Therefore, no provision for income taxes has been included in the financial statements.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2023 and 2022, the unrecognized tax benefits accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Revenue Recognition

Revenues from the sale of products are recognized at the point of sale. Vendor rebates and credits that relate to the Company's buying and merchandising activities are recorded as a component of cost of sales as earned according to the underlying agreement. Revenues and income from services rendered are recognized immediately after such services have been provided. Customer returns are immaterial. Vendor coupons that are reimbursed are accounted for as sales. Coupons and other sales incentives offered by the Company that are not reimbursed are recorded as a reduction of sales. Discounts of $1,096 and $12,968 were netted in product revenue for the years ended December 31, 2023 and 2022, respectively.

License fee revenue is considered sales-based royalty that is recognized over time as the franchisee receives the benefits from the products sold by Pro Food Systems, Inc. to the franchisee. Generally, the license fee revenue is billed and collected quarterly in arrears. The Company collected 0.50% of net sales of Pro Food Systems, Inc. to the franchisees for license fees for the years ended December 31, 2023 and 2022.

Contract Costs

Incremental costs of obtaining a contract are expensed as incurred as the amortization period of the asset that otherwise would have been recognized is estimated to be one year or less.

Sales Taxes

Various states impose a sales tax on the Company's sales to non-exempt customers. The Company collects the sales tax from customers and remits the entire amount to each respective state. The Company's accounting policy is to exclude the tax collected and remitted to the states from revenues and cost of sales.

Advertising Costs

Advertising costs are expensed as incurred. Such costs were $56 and $420, respectively, for the years ended December 31, 2023 and 2022.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through March 20, 2024, the date which the financial statements were available to be issued.

Note 2 - Adoption of ASC 326 – Financial Instruments – Credit Losses

As of January 1, 2023, the Company adopted Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Company adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new standard did not materially impact the Company's financial statements.

Note 3 - Revenue

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2023 and 2022:

	2023	2022
Revenue recognized at a point in time from discontinued operations	$ 181,400	$ 287,308
Revenue recognized over time from continuing operations	7,277	7,091
Total revenue from contracts with customers	$ 188,677	$ 294,399

Revenue from performance obligations satisfied at a point in time consist of sales of food and beverage at the restaurant in Holts Summit, Missouri. These goods are sold to customers primarily located in the Midwest region. Revenue from performance obligations satisfied over time consist of license fees from Pro Food Systems, Inc.

Gift card payables are contract liabilities for revenues received prior to revenue being recognized. The beginning and ending balances for accounts receivable and gift cards payable were as follows for the years ended December 31, 2023 and 2022:

	2023	
	January 1	December 31
Accounts receivable from discontinuing operations	$ 104,292	$ -
Accounts receivable from continuing operations	1,685	1,719
Gift cards payable from discontinuing operations	11,142	-

	2022	
	January 1	December 31
Accounts receivable from discontinuing operations	$ 104,809	$ 104,292
Accounts receivable from continuing operations	-	1,685
Gift cards payable from discontinuing operations	8,509	11,142

Note 4 - Property and Equipment from Transferred Operations to a Franchisor-affiliated Entity

Property and equipment from transferred operations to a Franchisor-affiliated entity at December 31, 2023 and 2022, consists of the following:

	2023	2022
Leasehold Improvements	$ -	$ 105,956
Machinery and Equipment	-	10,534
	-	116,490
Less Accumulated Depreciation	-	(28,944)
	$ -	$ 87,546

Depreciation expense totaled $4,121 and $9,112 for the years ended December 31, 2023 and 2022, respectively.

Note 5 - Related Party Leases from Transferred Operations to a Franchisor-affiliated Entity

The Company leases certain buildings and restaurant equipment for various terms under long-term, non-cancelable operating agreements with a related party through common ownership. The leases expire at various dates through 2029 and provides for renewal options in the terms of two, 5-year renewable terms. The Company included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. Also, the agreements generally require the Company to pay real estate taxes, insurance, and repairs. These leases are no longer effective to the Company as of December 31, 2023 due to the distribution of restaurant operations disclosed in Note 1.

The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Company estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Company's applicable borrowing rates and the contractual lease term.

The Company has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the year ended December 31, 2023 and 2022 were as follows:

	2023	2022
Operating Lease Cost	$ 45,000	78,000

The following table summarizes the supplemental cash flow information for the year ended December 31, 2023 and 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 45,000	78,000

The following table summarizes the weighted average remaining lease term and weighted-average discount.

	2023	2022
Weighted-average remaining lease term:		
Operating leases	-	6.26 Years
Weighted-average discount rate:		
Operating leases	-	4.88%

There are no future minimum lease payments under noncancellable operating and financing leases with terms greater than one year as of December 31, 2023.

Note 6 - Related Party Transactions

The parent company, Pro Foods System, Inc., sells its product to the Company for sale in its restaurant, and also provides bookkeeping and payroll services and rebates on purchases to the Company. Due to member as of December 31, 2023 and 2022 was $3,608 and $24,112, respectively. Total purchases of product totaled $81,634 and $125,345, for the years ended December 31, 2023 and 2022, respectively. Services provided by the parent company totaled $77,640 and $263,095 for the years ended December 31, 2023 and 2022, respectively.

In addition, the Company receives rebates on purchases and license fees from the parent company. Total rebates on purchases was $11,422 and $25,967 for the years ended December 31, 2023 and 2022, respectively. License fee received totaled $7,277 and $7,901 for the years ended December 31, 2023 and 2022, respectively. License fee receivable totaled $1,719 and $1,685 for the years ended December 31, 2023 and 2022, respectively.

Also see Note 5 for related party lease transactions.

Note 7 - Employee Benefit Plans

Defined Contribution Plan

The Company has a defined contribution plan covering substantially all employees. The plan provides that employees who have attained the age 21 are eligible to participant in the plan. Employer contributions are 50% of the employees first 6% of base compensation contribution. Total expense related to the plan for the years ended December 31, 2023 and 2022, was $676 and $227, respectively.

Note 8 - Concentrations

Vendor Concentration

One of the Company's vendors accounted for approximately 77% and 73% of product purchases for the years ended December 31, 2023 and 2022, respectively.

Note 9 - Commitments and Contingencies

The Company's employee retention credit fillings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

Note 10 - Transferred Operations to a Franchisor-affiliated Entity

On August 1, 2023, the Company distributed the standalone restaurant to Pro Foods Systems, Inc, a related party.

Results from transferred operations to a Franchisor-affiliated entity of December 31, 2023 and 2022 are as follows:

	2023	2022
Revenues		
Product revenue	$ 181,400	$ 287,308
Cost of Revenue	89,390	145,955
Gross Profit	92,010	141,353
Operating Expenses		
Payroll, taxes, and employee benefits	158,533	250,101
Equipment rent	35,000	60,000
Utilities	17,850	28,874
Marketing	12,491	5,906
Rent	10,500	18,000
Credit card and bank fees	4,799	8,374
Repairs and maintenance	6,584	13,525
Supplies	6,399	18,780
Depreciation	4,121	9,112
Taxes and licenses	-	4,384
Insurance	3,653	6,833
Customer relations	540	274
Dues and subscriptions	345	552
Employee relations	257	1,518
Travel	195	66
Advertising	56	420
Technology fees	-	166
Total operating expenses	261,323	426,885
Other Income	1,000	-
Net Loss	$ (168,313)	$ (285,532)

The balance sheet of transferred operations to a Franchisor-affiliated entity at December 31, 2023 and 2022 includes the following:

	2023	2022
Assets		
Current Assets		
Accounts receivable	$ -	$ 104,292
Inventories	-	8,936
Total current assets	-	113,228
Property and Equipment	-	87,546
Operating lease right-of-use asset	-	421,393
	$ -	$ 622,167
Liabilities and Member's Equity		
Current Liabilities		
Current maturities of operating lease liability	$ -	$ 59,045
Accounts payable	-	21,435
Due to member	-	24,122
Gift cards payable	-	11,142
Accrued liabilities	-	15,721
Total current liabilities	-	131,465
Long-term Liabilities		
Operating lease liability, less current maturities	-	362,348
Total Liabilities	$ -	$ 493,813

The cash flows of transferred operations to a Franchisor-affiliated entity at December 31, 2023 and 2022 includes the following:

	2023	2022
Net Cash used for transferred operations to a Franchisor-affiliated entity	$ (91,833)	$ (255,724)
Net Cash from transferred operations to a Franchisor-affiliated entity	$ 108,610	$ 295,000

Financial Statements
December 31, 2022 and 2021

BluTaco Franchising, LLC

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Member
BluTaco Franchising, LLC
Holts Summit, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BluTaco Franchising, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, member's equity, and cash flows for the years then ended, 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 BluTaco Franchising, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 4 to the financial statements, the Company has adopted the provisions of FASB Accounting Standards Codification Topic 842, *Leases*, as of January 1, 2022 using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BluTaco Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BluTaco Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

Eide Bailly LLP

Fargo, North Dakota
April 10, 2023

	2022	2021
Assets		
Current Assets		
Cash	$ 17,397	$ 5,760
Accounts receivable	105,977	104,809
Prepaid expenses	-	5,000
Inventories	8,936	7,689
Total current assets	132,310	123,258
Property and Equipment	87,546	96,658
Operating lease right-of-use asset	421,393	-
	$ 641,249	$ 219,916
Liabilities and Member's Equity		
Current Liabilities		
Current maturities of operating lease liability	$ 59,045	$ -
Accounts payable	21,435	17,816
Due to member	24,122	17,303
Gift cards payable	11,142	8,509
Accrued liabilities	15,721	12,366
Total current liabilities	131,465	55,994
Long-term Liabilities		
Operating lease liability, less current maturities	362,348	-
Total Liabilities	493,813	55,994
Member's Equity	147,436	163,922
	$ 641,249	$ 219,916

	2022	2021
Revenues		
Product revenue	$ 287,308	$ 303,743
License fee	7,091	8,303
Total revenues	294,399	312,046
Cost of Revenue	145,955	143,011
Gross Profit	148,444	169,035
Operating Expenses		
Payroll, taxes, and employee benefits	250,101	234,768
Equipment rent	60,000	60,000
Utilities	28,874	27,458
Professional fees	28,732	45,636
Supplies	18,780	20,808
Rent	18,000	18,000
Repairs and maintenance	13,525	19,890
Credit card and bank fees	9,435	8,908
Depreciation	9,112	10,575
Taxes and licenses	7,636	8,682
Insurance	6,833	5,196
Marketing	5,906	33,634
Employee relations	1,518	1,753
Dues and subscriptions	552	515
Advertising	420	112
Customer relations	274	385
Technology fees	166	-
Travel	66	-
Total operating expenses	459,930	496,320
Other Income		
Employee Retention Credit	-	104,780
Net Loss	$ (311,486)	$ (222,505)

		Member's Equity
Balance, December 31, 2020	$	111,427
Net loss		(222,505)
Capital contribution		275,000
Balance, December 31, 2021		163,922
Net loss		(311,486)
Capital contribution		295,000
Balance, December 31, 2022	$	147,436

	2022	2021
Operating Activities		
Net loss	$ (311,486)	$ (222,505)
Adjustments to reconcile net loss to net cash used for operating activities		
Depreciation	9,112	10,575
Employee Retention Credit	-	(104,780)
Changes in assets and liabilities		
Accounts receivable	(1,168)	(29)
Inventories	(1,247)	(519)
Prepaid expenses	5,000	(5,000)
Accounts payable	3,619	10,213
Accrued liabilities	3,355	1,151
Customer deposits	2,633	7,332
Due to member	6,819	15,469
Net Cash used for Operating Activities	(283,363)	(288,093)
Financing Activities		
Capital contributions	295,000	275,000
Net Change in Cash	11,637	(13,093)
Cash, Beginning of Year	5,760	18,853
Cash, End of Year	$ 17,397	$ 5,760

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

BluTaco Franchising, LLC (the Company) was formed on October 26, 2017, for the purpose of owning, operating and selling BluTaco franchises and will continue perpetually until dissolution. The Company sells two types of franchises, “BWB” and “Freestanding”. “BWB” or “business within a business” is a franchise for the operation of BluTaco restaurants inside an existing business, such as a convenience store or grocery store. “Freestanding” franchises are standalone restaurants. The Company owns and operates a standalone restaurant. The Company does not charge the franchisees an initial startup fee for this type of franchise. The Company derives a license fee from the affiliate Pro Food Systems, Inc. for the sale of product to the franchisees. The Company had 34 and 38 existing franchisees as of December 31, 2022 and 2021, respectively. The company awarded 4 new franchisees in 2022 and 8 new franchisees in 2021. The company closed 10 and 6 franchises in 2022 and 2021, respectively.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category.

Receivables and Credit Policy

Trade receivables due from customers are uncollateralized customer obligations or amounts owed from third party ATM or credit card vendors due under normal trade terms requiring payment within 30 days from the invoice date. Trade receivables are stated at the amount billed to the customer. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The Company estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company’s estimate of the allowance for doubtful accounts will change. There was no allowance for doubtful accounts as of December 31, 2022 and 2021.

The Employee Retention Credit receivable is included in accounts receivable on the balance sheet.

Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value. Inventory consists of food items and supplies.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from three to fifteen years.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2022 and 2021.

Gift Card Payable

Revenue from gift cards is deferred and recognized upon the redemption of the cards. The Company's gift card liability was $11,142 and $8,509 as of December 31, 2022 and 2021, respectively.

Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to the member in accordance with their respective percentage ownership. Therefore, no provision for income taxes has been included in the financial statements.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2022 and 2021, the unrecognized tax benefits accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at $10,000 of qualified wages through December 31, 2020. During the year ended December 31, 2021, the Company recorded a $1,469 benefit related to the credit which is presented in the statement of operations as employee retention credit.

The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at $7,000 per quarter. As a result of the changes to the credit, the maximum credit per employee increased from $5,000 in 2020 to $21,000 in 2021. During the year ended December 31, 2021, the Company recorded a $103,311 benefit related to the credit which is presented in the statement of operations as employee retention credit.

The Company has elected to account for the credits received as a loss recovery by applying FASB ASC 410, Asset Retirement and Environmental Obligations. Under this method, the Company recorded income related to the credits when it determined receipt of them was probable.

Revenue Recognition

Revenues from the sale of products are recognized at the point of sale. Vendor rebates and credits that relate to the Company's buying and merchandising activities are recorded as a component of cost of sales as earned according to the underlying agreement. Revenues and income from services rendered are recognized immediately after such services have been provided. Customer returns are immaterial. Vendor coupons that are reimbursed are accounted for as sales. Coupons and other sales incentives offered by the Company that are not reimbursed are recorded as a reduction of sales. Discounts of $12,968 and $27,562 were netted in product revenue for the years ended December 31, 2022 and 2021, respectively.

License fee revenue is considered sales-based royalty that is recognized over time as the franchisee receives the benefits from the products sold by Pro Food Systems, Inc. to the franchisee. Generally, the license fee revenue is billed and collected quarterly in arrears. The Company collected 0.50% of net sales of Pro Food Systems, Inc. to the franchisees for license fees for the years ended December 31, 2022 and 2021.

Contract Costs

Incremental costs of obtaining a contract are expensed as incurred as the amortization period of the asset that otherwise would have been recognized is estimated to be one year or less.

Sales Taxes

Various states impose a sales tax on the Company's sales to non-exempt customers. The Company collects the sales tax from customers and remits the entire amount to each respective state. The Company's accounting policy is to exclude the tax collected and remitted to the states from revenues and cost of sales.

Advertising Costs

Advertising costs are expensed as incurred. Such costs were $420 and $112, respectively, for the years ended December 31, 2022 and 2021.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through April 10, 2023, the date which the financial statements were available to be issued.

Note 2 - Revenue

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2022 and 2021:

	2022	2021
Revenue recognized at a point in time	$ 287,308	$ 303,743
Revenue recognized over time	7,091	8,303
Total revenue from contracts with customers	$ 294,399	$ 312,046

Revenue from performance obligations satisfied at a point in time consist of sales of food and beverage at the restaurant in Holts Summit, Missouri. These goods are sold to customers primarily located in the Midwest region. Revenue from performance obligations satisfied over time consist of license fees from Pro Food Systems, Inc.

Gift card payables are contract liabilities for revenues received prior to revenue being recognized. The beginning and ending balances for accounts receivable and gift cards payable were as follows for the years ended December 31, 2022 and 2021:

	2022	
	January 1	December 31
Accounts receivable	$ 104,809	$ 105,977
Gift cards payable	8,509	11,142

	2021	
	January 1	December 31
Accounts receivable	$ -	$ 104,809
Gift cards payable	1,177	8,509

Note 3 - Property and Equipment

Property and equipment at December 31, 2022 and 2021, consists of the following:

	2022	2021
Leasehold Improvements	$ 105,956	$ 105,956
Machinery and Equipment	10,534	10,534
	116,490	116,490
Less Accumulated Depreciation	(28,944)	(19,832)
	$ 87,546	$ 96,658

Depreciation expense totaled $9,112 and $10,575 for the years ended December 31, 2022 and 2021, respectively.

Note 4 - Adoption of Accounting Standards Codification Topic 842

Effective January 1, 2022, the Company adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Company elected to apply the guidance as of January 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Company has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Company accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022, the beginning of the adoption period, a cumulative effect adjustment to retained earnings of $0, an operating lease liability of $477,692, and an operating right-of-use asset of $477,692. The adoption of the new standard did not materially impact the Company's Statements of Operations or Statements of Cash Flows. See Note 5 for further disclosure of the Company's lease contracts.

Note 5 - Related Party Leases

The Company leases certain buildings and restaurant equipment for various terms under long-term, non-cancelable operating agreements with a related party through common ownership. The leases expire at various dates through 2029 and provides for renewal options in the terms of two, 5-year renewable terms. The Company included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. Also, the agreements generally require the Company to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Company estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Company's applicable borrowing rates and the contractual lease term.

The Company has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the year ended December 31, 2022 were as follows:

Operating lease cost	$	78,000

Total lease expense for all leases for year ended December 31, 2021 was $78,000.

The following table summarizes the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	78,000

The following table summarizes the weighted average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term:	
Operating leases	6.26 Years
Weighted-average discount rate:	
Operating leases	4.88%

The future minimum lease payments under noncancellable operating and financing leases with terms greater than one year are listed below as of December 31, 2022:

2023	$	78,000
2024		78,000
2025		78,000
2026		78,000
2027		78,000
Thereafter		98,000
Total lease payments		488,000
Less interest		(66,607)
Present value of lease liabilities	$	421,393

Future minimum payments determined under the guidance in Topic 840 are listed below as of December 31, 2021:

2022	$	78,000
2023		78,000
2024		78,000
2025		78,000
2026		78,000
Thereafter		176,000
Total lease payments	$	566,000

Note 6 - Related Party Transactions

The parent company, Pro Foods System, Inc., sells its product to the Company for sale in its restaurant, and also provides bookkeeping and payroll services and rebates on purchases to the Company. Due to member as of December 31, 2022 and 2021 was $24,112 and $17,303, respectively. Total purchases of product totaled $125,345 and $116,477 for the years ended December 31, 2022 and 2021, respectively. Services provided by the parent company totaled $263,095 and $299,550 for the years ended December 31, 2022 and 2021, respectively.

In addition, the Company receives rebates on purchases and license fees from the parent company. Total rebates on purchases was $25,967 and $21,647 for the years ended December 31, 2022 and 2021, respectively. License fee received totaled $7,091 and $8,303 for the years ended December 31, 2022 and 2021, respectively. License fee receivable totaled $1,685 and $0 for the years ended December 31, 2022 and 2021, respectively.

Also see Note 5 for related party lease transactions.

Note 7 - Concentrations

Vendor Concentration

One of the Company's vendors accounted for approximately 73% and 71% of product purchases for the years ended December 31, 2022 and 2021, respectively.

UNAUDITED FINANCIAL STATEMENTS AS OF MARCH 31, 2024

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

Pro Food Systems, Inc.

Parent Company : BluTaco Franchising

Balance Sheet

End of Q1 2024

Financial Row	Amount
ASSETS	
Current Assets	
Bank	
11100 - Cash	
11146 - Central Bank Checking - BluTaco	$7,018.66
Total - 11100 - Cash	$7,018.66
Total Bank	$7,018.66
Other Current Asset	
10000 - Assets	
11000 - Current Assets	
13000 - Other Receivables	
13090 - Receivable - Other	$1,600.00
Total - 13000 - Other Receivables	$1,600.00
Total - 11000 - Current Assets	$1,600.00
Total - 10000 - Assets	$1,600.00
Total Other Current Asset	$1,600.00
Total Current Assets	$8,618.66
Total ASSETS	$8,618.66
Liabilities & Equity	
Current Liabilities	
Accounts Payable	
21010 - Accounts Payable	$1,795.00
Total Accounts Payable	$1,795.00
Other Current Liability	
20000 - Liabilities	
21000 - Current Liabilities	
21060 - Due to PFS	$1,557.60
Total - 21000 - Current Liabilities	$1,557.60
Total - 20000 - Liabilities	$1,557.60
Total Other Current Liability	$1,557.60
Total Current Liabilities	$3,352.60
Equity	
30000 - Equity	
31040 - Distributions	($73,264.24)
31050 - Owner's Equity	
31051 - Owner's Equity - PFSbrands	$1,355,000.00
Total - 31050 - Owner's Equity	$1,355,000.00
Total - 30000 - Equity	$1,281,735.76
Retained Earnings	($1,264,649.44)
Net Income	($11,820.26)
Total Equity	$5,266.06
Total Liabilities & Equity	$8,618.66

Pro Food Systems, Inc.

Parent Company : BluTaco Franchising

Income Statement

Q1 2024

Financial Row	Amount
Ordinary Income/Expense	
Gross Profit	$0.00
Expense	
60000 - Operating Expenses	
63400 - Professional Fees	
63410 - Professional Fees - Accounting	$8,320.26
63420 - Professional Fees - Legal	$5,100.00
Total - 63400 - Professional Fees	$13,420.26
Total - 60000 - Operating Expenses	$13,420.26
Total - Expense	$13,420.26
Net Ordinary Income	($13,420.26)
Other Income and Expenses	
Other Income	
81000 - Other Income	
81046 - Other Income - BluTaco	$1,600.00
Total - 81000 - Other Income	$1,600.00
Total - Other Income	$1,600.00
Net Other Income	$1,600.00
Net Income	($11,820.26)

EXHIBIT E

BLUTACO FRANCHISING, LLC

LIST OF FRANCHISEES AND OUTLETS

None as of the date of this disclosure document

EXHIBIT F

BLUTACO FRANCHISING, LLC

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BLUTACO FRANCHISING, LLC

FORM OF RELEASE, ESTOPPEL, COVENANT NOT TO SUE, AND INDEMNIFICATION

RELEASE, ESTOPPEL, COVENANT NOT TO SUE, AND INDEMNIFICATION

PRELIMINARY NOTE

This Exhibit H contains our form of release, estoppel, covenant not to sue, and indemnification provisions. These provisions may be printed in bold print, and will be modified as reasonably necessary and included in the applicable agreement.

FORM OF AGREEMENT

1. Release; Estoppel; Covenant Not to Sue; Indemnification.

1.1 Release. Franchisee, for itself and its affiliates, and for its and such affiliates' directors, officers, shareholders, partners, members, employees, agents, and attorneys, together with Principals, [Transferor, and Transferee,] and further together with and for the predecessors, successors, heirs, and assigns of any and all of the foregoing collectively, the "Releasing Parties"), hereby release, remise, acquit, and forever discharge BluTaco and its officers, members, employees, agents, and attorneys, and BluTaco's affiliates and each and all of such affiliates' directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the predecessors, successors, heirs, and assigns of any and all of them collectively, the "Parties Released"), from and against any and all obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, and liabilities of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, that arise out of or are related to, or that may hereafter arise out of or relate to, for any matter prior to the Effective Date of this Agreement: i) the Franchise Agreement; ii) any and all other BluTaco license agreements and franchise agreements between BluTaco and any of the Releasing Parties; iii) any and all BluTaco restaurants owned, opened, operated, or closed by Franchisee or any of the other Releasing Parties; iv) [such other matters as BluTaco deems appropriate]; and v) the business relationship between any or all of the Parties Released on the one hand, and any or all of the Releasing Parties on the other hand; including, without limitation, the BluTaco franchise offering, the BluTaco franchise offering documents, the offer and sale of the BluTaco franchise, and the registration, non-registration, exemption from registration, or non-exemption from registration of the BluTaco franchise and the BluTaco franchise offering.

1.1.1 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby covenant, warrant, represent, and agree that neither they nor any of them have assigned or transferred any of the obligations, debts, claims, demands, rights, actions, causes of action, loss, losses, damage, damages, expenses, costs, liability, or liabilities described in this Section 1.1 of this Agreement to any third party.

1.1.2 If any Releasing Party raises or asserts any obligation, claim, demand, right, action, or cause of action described in this Section 1.1 of this Agreement, or alleges any debt, loss, losses, damage, damages, expense, cost, liability, or liabilities described in this Section 1.1 of this Agreement, this Section 1.1 shall be a complete and conclusive defense thereto.

1.2 Estoppel.

1.2.1 [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby acknowledge and agree that:

1.2.1.1 Neither the Parties Released nor any of them, at any time prior to the Effective Date of this Agreement, committed any breach of the Franchise Agreement or any other agreement or document related to the Freestanding Restaurant, which other documents include, without limitation, the Franchise Disclosure Document that BluTaco delivered to Franchisee, as prospective Franchisee, which delivery was due and proper in every respect;

1.2.1.2 Neither the Parties Released nor any of them, at any time prior to the Effective Date of this Agreement, committed any violation of any constitution, statute, rule, regulation, ordinance, case law, or any other law; including, without limitation, the FTC Franchise Rule, [jurisdictions' franchise Laws or other relevant Laws], or otherwise, arising out of or related to the Freestanding Restaurant, the Freestanding Restaurant, the BluTaco franchise offering, the BluTaco franchise offering documents, the offer and sale of the BluTaco franchise, and the registration, non-registration, exemption from registration, or non-exemption from registration of the BluTaco franchise and the BluTaco franchise offering; and

1.2.1.3 Neither the Parties Released, nor any of them, owes the Releasing Parties, or any of them, any obligation, debt, claim, demand, right, action, cause of action, loss, losses, damage, damages, expense, cost, liability, or liabilities of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, that arises out of or is related to, or that may hereafter arise out of or relate to, any matter that is within the scope of the Release set forth in Section 1.1 of this Agreement.

1.2.2 If any Releasing Party raises or asserts any obligation, claim, demand, right, action, or cause of action described in Section 1.1 or this Section 1.2 of this Agreement, or alleges any debt, loss, losses, damage, damages, expense, cost, liability, or liabilities described in Section 1.1 or this Section 1.2 of this Agreement, this Section 1.2 shall be a complete and conclusive defense thereto.

1.3 Covenant Not to Sue. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby covenant, warrant, represent, and agree that neither they nor any of them will: i) make or raise any claim, counterclaim, crossclaim, affirmative defense, or demand; ii) commence, or cause or permit to be commenced; iii) prosecute, or cause or permit to be prosecuted; or iv) assist or cooperate in the commencement or prosecution of, any suit or action at law or in equity or otherwise, any arbitration or like proceeding, or any administrative or agency proceeding, against or related to the Parties Released, or any of them, for any matter arising out of or related to, or that may hereafter arise out of or relate to: a) the Release set forth in Section 1.1 of this Agreement; b) any matter that is within the ambit of such Release; c) the Estoppel set forth in Section 1.2 of this Agreement; or d) any matter that is within the ambit of such Estoppel.

1.4 Indemnification. [Franchisee and Principals] [Franchisee, Principals, Transferor, and Transferee], for themselves and the other Releasing Parties, hereby covenant, warrant, represent, and agree that they and the other Releasing Parties: i) will indemnify the Parties Released for, and will hold harmless the Parties Released from, any breach of Sections 1.1, 1.2, or 1.3 of this Agreement; and ii) will pay the amount of all losses and expenses arising out of or related to any breach of Sections 1.1, 1.2, or 1.3 of this Agreement so that the Party Released to which such payment is owed actually receives such payment by end of ten 10) days after demand therefor. Such losses and expenses shall include, without limitation, attorneys' fees and costs, including without limitation attorneys' fees and costs of appeal, and further including without limitation attorneys' fees and costs of collection. Each Party Released shall have the right to counsel such Party Released reasonably chooses. No Party Released will be required to seek recovery from any insurer, other third party, or otherwise, or to mitigate any loss and expense, to maintain and recover fully a claim under this Section 1.4. No failure to pursue such recovery or to mitigate a loss or expense will in any way reduce or alter the amounts any Party Released is entitled to recover. The obligations of [Franchisee, Principals] [Franchisee, Principals, Transferor, Transferee], and the other Releasing Parties under this Section 1.4: a) shall be joint and several; and b) shall be within the ambit of all guaranties made by [Franchisee's Principals] [Franchisee's Principals, Transferor, Transferor's Principals, Transferee, Transferee's Principals], and other guarantors, all of which shall remain in full force and effect.

BLUTACO FRANCHISING, LLC:

By: Exhibit Only: Not for Execution at This Time

Title:

FRANCHISEE:

By: Exhibit Only: Not for Execution at This Time

Title:

TRANSFEREE:

By: Exhibit Only: Not for Execution at This Time

Title:

PRINCIPAL:

Exhibit Only: Not for Execution at This Time
Individually and as Principal

PRINCIPAL:

Exhibit Only: Not for Execution at This Time
Individually and as Principal

PRINCIPAL:

Exhibit Only: Not for Execution at This Time
Individually and as Principal

EXHIBIT H

BLUTACO FRANCHISING, LLC

BLUTACO ACKNOWLEDGEMENT STATEMENT

NOT FOR USE IN CALIFORNIA

BLUTACO ACKNOWLEDGEMENT STATEMENT

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement. Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

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.

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the

Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

7. Franchisee acknowledges that it has received the BluTaco Franchising, LLC Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE BLUTACO FRANCHISING, LLC, PRO FOOD SYSTEMS, INC, AND ANY OF ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF.

SIGNATURE PAGE TO FOLLOW

FRANCHISEE:	PRINCIPAL:
______________________________	______________________________
By:____________________________	______________________________ (Print Name)
______________,______________ (Print Name, Title)	Date: ______________________________
Date:__________________________	
	PRINCIPAL:
	______________________________
	______________________________ (Print Name)
	Date: ______________________________

STATE EFFECTIVE DATES – 2023

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
North Dakota	Pending
South Dakota	Pending

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

EXHIBIT I

BLUTACO FRANCHISING, LLC

DISCLOSURE DOCUMENT RECEIPTS

RECEIPT

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

If BluTaco 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.

Michigan, Oregon and Wisconsin require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

The franchisor is BluTaco Franchising, LLC, located at 120 Commerce Drive, Holts Summit, Missouri 65043. Its telephone number is (573) 896-2500.

Issuance Date: April 1, 2024

The name, principal address and telephone number of each franchise seller offer the franchise: _________ ____.

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

I received a disclosure document dated_______________, that included the following Exhibits:

A BluTaco Franchise Agreement
B State Regulations and Requirements Addendum
C State Administrators and Agents for Service of Process
D Financial Statements
E List of Franchisees and Outlets
F Confidential Operations Manual Table of Contents
G Form of Release, Estoppel, Covenant Not to Sue, and Indemnification
H Disclosure Document Receipts

Date Received: ________________________
(If other than date signed)

DATE:_________________________________

Print Name:_____________________________

Print Address: __________________________

City, State: _______________________________

____
(Signature of recipient)

Your Copy: Please Sign, Date, and Keep for your Records

RECEIPT

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If BluTaco 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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- H Disclosure Document Receipts

Date Received: ________________________
(If other than date signed)

DATE:_________________________________

Print Name:_____________________________

Print Address: ___________________________

City, State: _______________________________

____
(Signature of recipient)

Our Copy: Please Sign, Date, and Return to Us