

FRANCHISE DISCLOSURE DOCUMENT



TDMF Holdings, LLC

A Delaware Limited Liability Company

4700 S. Syracuse St., Suite 225

Denver, Colorado 80237

Telephone: (720) 359-3300

www.tacodelmar.com/franchising

franchise@regorestaurants.com

TDMF Holdings, LLC is offering franchises to operate a restaurant serving tacos, quesadillas, burritos, nachos, and other Mexican-Style food items under the service mark “TACO DEL MAR.”

The TACO DEL MAR Restaurant will be operated from a stand-alone pre-fabricated modular structure (“Cube”). We are granting franchises for a traditional TACO DEL MAR model located in a strip center or mall with a dining room only when the location does not allow for a Cube model and then, only in our sole discretion.

The total investment necessary to begin operation of a TACO DEL MAR Restaurant is \$388,100 to \$782,000. This includes \$12,500 to \$14,500 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of your first TACO DEL MAR Restaurant under a Multi-Unit Development Agreement ranges from \$403,100 to \$802,000, which includes at least \$17,500 to \$34,500 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Michelle Dunkley, 4700 S. Syracuse St., Suite 225, Denver, Colorado 80237, or (720) 359-3300, franchise@regorestaurants.com

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: May 9, 2022

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 J.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Taco Del Mar Franchised Business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Taco Del Mar Franchised Business franchisee?	Item 20 or Exhibit J 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 A.

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 and multi-unit development agreement requires you to resolve disputes with the franchisor by arbitration or litigation only in Colorado. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Colorado than in your own state.
2. **Spousal Liability.** Your spouse will be liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. 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 to you.
4. The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

**NOTICE REQUIRED BY
STATE OF MICHIGAN**

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

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

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

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

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

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

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Exhibits

- A. List of State Administrators and Agents for Service of Process
- B. Form of Franchise Agreement
- C. Form of Multi-Unit Development Agreement
- D. Financial Statements and Guarantee
- E. State Specific Addenda to Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement
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- G. Pre-Training Confidentiality Agreement
- H. Termination and Release Agreement (Template)
- I. Conditional Approval of Transfer
- J. List of Current Franchisees
- K. List of Franchisees Who Have Left the System
- L. Table of Contents of Operations Manual
- M. State Effective Dates & Receipts

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Disclosure Document, “**we**” or “**us**” means TDMF Holdings, LLC, the Franchisor. “**You**” means the person or entity that buys the franchise. If the franchisee is a corporation, partnership or other entity, “**you**” also may mean its owners.

Franchisor

We are a Delaware limited liability company organized on June 25, 2019 under the name TDMF Holdings, LLC. Our principal business address is 4700 S. Syracuse St., Suite 225, Denver, Colorado 80237. Franchising under our limited liability company name and the “TACO DEL MAR” trademarks (together, “**TACO DEL MAR**”) is the only business activity we conduct. We have offered franchises for TACO DEL MAR Restaurants since October 11, 2019. We have no prior business activities. We do not operate businesses of the type being franchised. We disclose our agents for service of process and their principal business addresses in **Exhibit A**.

Parents

We are a wholly owned subsidiary of REGO Restaurant Holdings II, LLC (“**Parent**”). Our other parents are REGO Restaurant Holdings III, LLC (“**RRH3**”), Super REGO LLC (“**Super REGO**”) and our ultimate corporate parent, High Bluff Capital Partners, LLC (“**HBCP**”). Parent’s and RRH3’s principal business addresses are the same as ours. HBCP’s and Super REGO’s principal business addresses are 12760 High Bluff Drive, Suite 310, San Diego, California 92130.

Predecessors

On June 30, 2019, we acquired from Parent all of the assets and assumed all of the liabilities of TDM Franchising, LLC (“**TDM Franchising**”), a Delaware limited liability company that was formed on October 8, 2010. The assets included but were not limited to all of the franchise agreements of the TACO DEL MAR franchise system.

On July 3, 2018 (“**Closing Date**”), Parent acquired from Franchise Brands, LLC all of the issued and outstanding equity of TDM Franchising and various of its affiliates, as detailed below (collectively, the “**Transaction**”). Prior to the Closing Date, TDM Franchising had a principal place of business at 325 Sub Way, Milford, Connecticut 06461 and offered TACO DEL MAR franchises from December 2010 to July 2018. After the Closing Date, TDM Franchising had a principal place of business at 1211 164th Street SW, Suite C-1, Lynnwood, Washington 98037 and offered TACO DEL MAR franchises from October 2018 to January 2019. TDM Franchising was renamed as Old TDM, LLC, on July 2, 2019. Franchise Brands, LLC, a Delaware limited liability company that was formed on Jun 24, 2005, had a principal place of business of 325 Sub Way, Milford, Connecticut 06461.

Affiliates

In addition to the parent companies disclosed above, we have the following affiliates, which were acquired by Parent on the Closing Date as part of the Transaction:

TDM IP Holder, LLC, a Delaware limited liability company formed on November 12, 2010 (“**TDM IP Holder**”). TDM IP Holder owns the “TACO DEL MAR” marks, copyrights, confidential information, and other intellectual property (collectively, the “**TACO DEL MAR IP**”), and licenses the TDM IP to us to use in, among other things, exercising our rights as the franchisor and to grant franchises for TACO DEL

MAR restaurants. TDM IP Holder has owned the TACO DEL MAR IP since November 12, 2010, when the TACO DEL MAR IP was assigned by Franchise Brands, LLC, to TDM IP Holder. TDM IP Holder's principal business address is 4700 S. Syracuse St., Suite 225, Denver, Colorado 80237. TDM IP Holder has never offered or sold franchises, nor has it engaged in any line of business.

TDM Leasing, LLC, a Delaware limited liability company formed on October 27, 2010 ("**TDM Leasing**"). Prior to the Closing Date, TDM Leasing assisted TACO DEL MAR franchisees with the negotiation and administration of real estate leases and lease renewals by serving as the lessee of the restaurant premises and subsequently subleasing the premises to such franchisees. However, as of the issuance date of this Franchise Disclosure Document, TDM Leasing is phasing out this practice and, instead, now only maintains such premises where it is still the lessee and sublessor in addition to providing us with general assistance involving leases. TDM Leasing's principal business address is 4700 S. Syracuse St., Suite 225, Denver, Colorado 80237. TDM Leasing has never offered or sold franchises, nor has it engaged in any other line of business than what is described above.

TDM Franchising of Canada, ULC ("**TDM Canada Franchising**") is an Alberta unlimited liability company formed on October 27, 2010, under the Alberta Business Corporations Act. The principal business address for TDM Canada Franchising is in care of Dentons Canada LLP, 2900-10180 - 101 Street, Edmonton AB T5J 3V5. TDM Canada Franchising is the franchisor of TACO DEL MAR restaurants in Canada. As of the issuance date of this Franchise Disclosure Document, 17 restaurants were open in Canada, with none in development. TDM Canada Franchising began franchising in 2010. TDM Canada Franchising has never offered franchises in any other line of business, nor has it engaged in any other line of business.

TDM Leasing of Canada ("**TDM Canada Leasing**") is an Alberta unlimited liability company formed on October 27, 2010, under the Alberta Business Corporations Act. The principal business address for TDM Canada Leasing is in care of Dentons Canada LLP, 2900-10180 - 101 Street, Edmonton AB T5J 3V5. Prior to the Closing Date, TDM Canada Leasing assisted Canadian-based TACO DEL MAR franchisees with the negotiation and administration of real estate leases and lease renewals by serving as the lessee of the restaurant premises and subsequently subleasing the premises to such franchisees. However, as of the issuance date of this Franchise Disclosure Document, TDM Leasing is phasing out this practice and, instead, now only maintains such premises where it is still the lessee and sublessor in addition to providing TDM Canada Franchising with general assistance involving leases. TDM Canada Leasing's principal business address is in care of Dentons Canada LLP, 2900-10180 - 101 Street, Edmonton AB T5J 3V5. TDM Canada Leasing has never offered or sold franchises, nor has it engaged in any other line of business than what is described above.

In addition to the affiliates disclosed above, Quiz Holdings, LLC ("**QH**"), is our affiliate through common ownership with HBCP. QH offers franchises for restaurants offering submarine and other sandwiches, salads, soups, soft drinks and related other products under the service mark "QUIZNOS" and "QUIZNOS SUB." QH has offered franchises for QUIZNOS restaurants since September 28, 2018. However, prior to QH, QH's predecessors offered QUIZNOS franchises beginning in 1991. As of the issuance date of this Franchise Disclosure Document, there are 201 franchised QUIZNOS US restaurants and one company-owned or affiliate-owned QUIZNOS restaurants in the United States. QH's principal business address is 4700 S. Syracuse St., Suite 225, Denver, Colorado 80237.

We also have affiliates through common ownership with Super REGO and HBCP that own and franchise Church's Chicken Restaurants ("Church's Affiliates"). These Church's Affiliates include: REGO Restaurant Holdings III, LLC ("RRH3"), Church's Holding Corp. ("CHC"), Cajun Operating Company ("COC"), Cajun Holdings of Texas, LLC ("CHTX"), Church's Texas Holdings, LLC ("CTH"), Cajun Holdco LLC ("Cajun Holdco"), C.T. Restaurants LP ("CTR"), Cajun Global LLC ("Cajun Global"), Cajun

Realty (“CR”), Cajun Funding Corp. (“CFC”) and Cajun Restaurants LLC (“CR”). Church’s Restaurants specialize in the sale of fried chicken and other quick-service food. As of December 26, 2021, there are 844 franchised Church’s Restaurants in the United States, 161 Church’s Restaurants in the United States owned by Cajun Restaurants LLC and 572 franchised Church’s Restaurants operated outside of the United States. The address of Super REGO, HBCP and RRHS is 12760 High Bluff Drive, Suite 310, San Diego, CA 92130. The address of all other of Church’s Affiliates is 980 Hammond Drive, N.E., Suite 1100, Atlanta, GA 30328.

Additionally, we have affiliates through common ownership with Super REGO and HBCP that are franchisees operating Dairy Queen® Restaurants (“DF Affiliates”). These DF Affiliates include: Alaska Deep Freeze Holdings (“ADFH”), Alaska Deep Freeze Holdings II, LLC (“ADFH II”) and PO Deep Freeze Holdings, LLC (“PODFH”). Dairy Queen Restaurants feature soft serve ice cream and fast-food items. As of December 26, 2021, DF Affiliates operated 8 Dairy Queen Restaurants in the United States. The principal business address of DF Affiliates is 4700 S. Syracuse St., Suite 225, Denver, Colorado 80237.

Except as disclosed above, each of the affiliates disclosed above shares our principal business address. Except as disclosed above, none of the affiliates disclosed above have conducted the type of business that you will operate.

Description of the Franchise

We offer franchises to individuals or entities for restaurants that sell Mexican-style food items, including but not limited to tacos, quesadillas, burritos, nachos, salads, other food products and beverages, and related services (“**TACO DEL MAR Restaurant**” or “**TACO DEL MAR Restaurants**”) under the form of Franchise Agreement attached as **Exhibit B** (“**Franchise Agreement**”). TACO DEL MAR Restaurants are licensed to use the service mark “TACO DEL MAR” and related trademarks (collectively, the “**Marks**”) and other TACO DEL MAR IP owned by TDM IP Holder that make up the TACO DEL MAR marketing plan and proprietary business methods (collectively, the “**System**”), all of which have been sublicensed to us for our franchise program. The TACO DEL MAR Restaurant will be operated from a stand-alone pre-fabricated modular structure (“**Cube**”). We are granting franchises for a traditional TACO DEL MAR model located in a strip center or mall with a dining room only when the location does not allow for a Cube model and then, only in our sole discretion.

We also offer qualified franchisees (“**Developers**”) the right to develop and operate three or more TACO DEL MAR Restaurants using the Cube model within a protected territory (“**Development Territory**”) under the terms of the Multi-Unit Development Agreement (“**Multi-Unit Development Agreement**”), attached to this Disclosure Document as **Exhibit C**. If you sign a Multi-Unit Development Agreement, you will sign our then-current form of Franchise Agreement for each Restaurant you agree to develop under your Multi-Unit Development Agreement according to the dates specified on the development schedule (“**Development Schedule**”). As a result, you may be required to sign a form of Franchise Agreement that is different from the form of Franchise Agreement included in this Disclosure Document. The minimum number of Franchised TACO DEL MAR Restaurants to be opened under an Area Development Agreement is three.

The Market and Competition

In your market, you might compete with other Mexican-style restaurants and fast food restaurants (including other TACO DEL MAR Restaurants) that offer similar items. The market for Mexican-style restaurants and fast food restaurants is well developed and competitive. We believe that TACO DEL MAR

Restaurants appeal to a broad range of customers because of the perceived variety and quality of the food products offered.

Regulations

There are no regulations specific to the operation of a TACO DEL MAR Restaurant, although you must comply with all local, state, and federal health and sanitation laws. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and various state and local departments of health and other agencies have laws and regulations concerning the preparation of food, display of nutrition facts and calorie counts, and sanitary conditions of restaurant facilities. Franchisees also must comply with all local, state, and federal laws of a more general nature that affect the TACO DEL MAR Restaurant, including employment, workers' compensation, insurance, corporate, tax, licensing, the Americans with Disabilities Act, and similar laws and regulations. You should familiarize yourself with these laws.

ITEM 2 BUSINESS EXPERIENCE

President and Chief Executive Officer: Tim Casey

Tim Casey has been our and QH's President and Chief Executive Officer since January 2019. From March 2018 to January 2019, he was Brand Head of Rusty Taco for Inspire Brands, Inc. of Denver, Colorado. From May 2016 to March 2018, he was the Chief Executive Officer for PepperJax Development, LLC of Denver, Colorado. .

President: Mark Lohmann

Mark Lohmann has been our and QH's President since October 2020. From January 2019 to October 2020, he was Senior Vice President and Chief Brand Officer. From January 2017 to January 2019, he was the EVP of Strategy and Chief Financial Officer for Cool Planet of Greenwood Village, Colorado. From May 2014 to January 2017, he was the Vice President of Strategy and Business Development for QDOBA Restaurant Corporation (a subsidiary of Jack in the Box Inc.) of Denver, Colorado.

Vice President of Operations and Quiznos Brand Leader: Gregory Boudreaux

Gregory Boudreaux has been QH's and our Vice President of Operations and QH's Brand Leader since November 2020. From January 2020 to November 2020, he was QH's and our VP of Domestic Operations. From May 2019 to January 2020, he was QH's and our VP of Operation Services. From June 2018 to May 2019, he was QH's Director of Operation Services and Training. From October 2017 to June 2018, he was Director of Operation Services and Training of QSC LLC II, a Quiznos master franchisee in Denver, Colorado.

Vice President of Global Development: Brett Larrabee

Brett Larrabee has been our Vice President of Global Development since November 2021. From May 2021 to November 2021, he was the Director of Global Development for Uno Restaurant Group; from September 2018 to February 2021, he was Director of International Development at Little Ceasars.

Vice President of Marketing and Digital Experience: Brent Phillip

Brent Phillip has been our and QH's Vice President of Marketing and Digital Experience since March 2022. From December 2020 to March 2022, he was TDMF's Brand Leader. From June 2019 to December 2020, he was Director of Branding at TDMF, and from May 2017 to May 2019 he was the Director of Marketing at Cool Planet Energy Systems.

TDM Brand Leader: Jeffery Masterjohn

Jeffery Masterjohn has been our Brand Leader since March 2022. From March 2012 to February 2022, he was a Managing Member of Northwest Restaurant Development in Kirkland, Washington.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Franchise Disclosure Document.

**ITEM 4
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Franchise Disclosure Document.

**ITEM 5
INITIAL FEES**

Initial Franchise Fee

If you desire to operate a TACO DEL MAR Restaurant, you must pay to us an initial franchise fee ("**Initial Franchise Fee**") of \$10,000 when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us upon receipt and is not refundable under any circumstances. During the 2021 fiscal year, we did not collect any Initial Franchise Fees.

Development Fee and Reduced Initial Franchise Fee

If you sign a Multi-Unit Development Agreement to develop three or more TACO DEL MAR Restaurants in the Development Territory in accordance with the Development Schedule, you must pay to us a development fee ("**Development Fee**") equal to the full amount of the Initial Franchise Fee for the first TACO DEL MAR Restaurant to be developed by you under the Multi-Unit Development Agreement plus \$5,000 for each of the subsequent TACO DEL MAR Restaurants to be developed by you under the Multi-Unit Development Agreement. You must pay us the entire Development Fee upon signing the Multi-Unit Development Agreement. It is fully earned at the time you make the payment to us and is not refundable regardless of whether you ultimately open any or all of your TACO DEL MAR Restaurants. The Development Fee may not be uniform for all franchisees due to the variable nature of negotiation including the size of the Development Territory to be developed, the number of TACO DEL MAR Restaurants to be opened, demographic data and trends and other conditions, and we reserve the right to charge different Multi-Unit Development Fees in our sole discretion. We calculate the Development Fee uniformly for all franchisees, but the total amount you pay will depend on the number of TACO DEL MAR Restaurants you

commit to develop. The number of TACO DEL MAR Restaurants that you may develop under a particular Multi-Unit Development Agreement is determined by mutual agreement.

Upon entering into the Multi-Unit Development Agreement, you and we will also sign a Franchise Agreement for the first TACO DEL MAR Restaurant to be developed under the Multi-Unit Development Agreement (“**Initial Franchise Agreement**”). The Initial Franchise Fee required under the Initial Franchise Agreement will be included in the Development Fee. You will be required to sign our then current form of Franchise Agreement for each subsequent TACO DEL MAR Restaurant you agree to develop (each a “**Subsequent Franchise Agreement**”). Each Subsequent Franchise Agreement may have terms and conditions that differ substantially from any or all of the terms and conditions of the Initial Franchise Agreement. Upon entering into a Subsequent Franchise Agreement to operate the second and any subsequent TACO DEL MAR Restaurant pursuant to this Agreement, you will pay to us the balance of the Initial Franchise Fee equal to \$5,000 for each such subsequent TACO DEL MAR Restaurant.

During the 2021 fiscal year, we did not collect any Development Fees.

Opening Inventory

Before opening a TACO DEL MAR Restaurant, as described in Items 7 and 8, you are required to purchase your opening inventory of TACO DEL MAR Restaurant products and supplies from a supplier designated by us, which could be one of our affiliates. We estimate that you will need \$9,000 to \$15,000 of opening inventory for the TACO DEL MAR Restaurant. The amounts will be payable prior to opening and are not refundable under any circumstances.

TACO DEL MAR Restaurant Equipment

Before opening a TACO DEL MAR Restaurant, as described in Items 7 and 8, you are permitted to purchase certain pre-owned equipment for your TACO DEL MAR Restaurant from us (or an affiliate) or a third party such as a bank, landlord or one of our franchisees so long as such equipment meets our standards and specifications. If you choose, and are permitted, to purchase such pre-owned equipment from us (or an affiliate), we estimate that your cost for such used TACO DEL MAR Restaurant equipment will be between \$0 and \$20,000. The amounts will be payable prior to opening and are not refundable under any circumstances.

ITEM 6 OTHER FEES

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Royalty	6% of Gross Sales ⁽²⁾ based on the prior week’s Gross Sales	Payable on the day of the week periodically designated by us	Your bank account will be debited for Royalties due. ⁽³⁾ We currently measure a week for purposes of determining weekly Royalties and other weekly amounts due to us as the period from Monday through Sunday, but we may revise this weekly period.

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Marketing Fee	Currently 2% of Gross Sales based on the prior week's Gross Sales	Payable on the day of the week periodically designated by us	Your bank account will be debited for Marketing Fee. We reserve the right to increase the Marketing Fee up to a maximum of 4.5% of Gross Sales based on the prior week's Gross Sales; however, we may not increase the Marketing Fee by more than 1/2% in any given year (by way of example, we may only increase the Marketing Fee to 2.5% of Gross Sales after the first year of the Initial Term of the Franchise Agreement).
POS Systems Fee	Currently ranges from \$190 to \$300 (plus applicable taxes) per terminal	Monthly	You must pay this fee for point-of-sale equipment we designate for your TACO DEL MAR Restaurant. Because we reserve the right to change the POS Systems provider at any time, the POS Systems Fee may increase or decrease from time to time depending on such provider, as set forth in the Operations Manual.
Music Fee	Currently ranges from \$40 to \$50 (plus applicable taxes) per month	Monthly	You must pay this fee for music we designate for your TACO DEL MAR Restaurant. Because we reserve the right to change the music provider at any time, the Music Fee may increase or decrease from time to time depending on such provider, as set forth in the Operations Manual.
Gift Card Service Charge	3% - 15% of Gross Sales from gift card purchase, plus pro rata share of third-party vendor commission, if applicable	Payable on the day we pay you for gift card redemptions	If a customer uses a gift card at your TACO DEL MAR Restaurant to purchase products or services, we will pay you the amount redeemed, minus a 3% - 15% service fee. We will also deduct a pro rata amount of the third-party vendor commission for the card, if applicable.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Training Program Expenses ⁽⁴⁾	Costs associated with attending mandatory training session	As incurred	There is no tuition charge for up to 2 individuals to attend the Initial Training Program although you must pay travel, lodging and living expenses, wages and applicable test facility fees for all attendees who attend the Initial Training Program. Currently, the Initial Training Program is conducted on an as-needed basis via paper-based or digital .pdf files, online videos and quizzes or digital e-learning platforms, virtual classrooms, and/or in a certified training TACO DEL MAR Restaurant operated by one of our current Franchise Owners ("Training TACO DEL MAR Restaurant") in various cities of our choosing across the United States. We may occasionally require additional training based on need and demonstration of ability. E may charge a training fee for each special program in which you participate. Our current training fee is \$255 per day, which includes an educational technology fee.
Interest on Late Payments	2% interest per month on any late payment to us, including Royalty and Marketing Fee payments	As incurred	Due on late payments.
Marketing Materials	Varies. Currently, at our cost.	As incurred	We may directly purchase certain marketing materials through non-affiliated, third-party vendors and distribute the materials to our franchisees, but we do not currently add a markup to the purchase price when franchisees purchase these materials.
Testing	Not currently charged, but if implemented it will be the actual cost of testing	As incurred	This covers the costs of testing new products or inspecting new suppliers you propose.
Transfer Fee	\$5,000	Before the transfer	Payable when your interest in the Franchise Agreement, a material portion of the TACO DEL MAR Restaurant's assets, or an interest in you is transferred.
Successor Fee	\$2,500	When you and we sign a Successor Franchise Agreement	

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Inspection and Audit Fee	(1) Interest on past due amount at lesser of 2% per month or maximum commercial contract interest rate allowed by law and (2) costs of audit	On demand	Costs of audit payable only if you understate your Gross Sales by 2% or more; interest payable if you understate your Gross Sales by any amount. The maximum interest rate in the state of California is 10% annually.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable if we prevail in a judicial or other proceeding.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us and our affiliates if any of us are held liable for claims related to your TACO DEL MAR Restaurant's operations. Upon request, you will advance our and our affiliates' fees (including attorneys' fees) incurred in defending any claim.
Management Fee	3% of Gross Sales plus direct out-of-pocket costs and expenses	As incurred	Due when we (or a third party) manage your QUIZNOS Restaurant after your default or abandonment.
Default Fee	\$250 per occurrence and per week	As incurred	Payable when you are not in compliance with the terms of the Franchise Agreement, Multi-Unit Development Agreement, Operations Manual or other stated standards. You will continue to incur this fee until you become compliant.
Termination Fee	An amount equal to the net present value of the Royalties and Marketing Fees that would have become due following termination of the Franchise Agreement for the period the Franchise Agreement would have remained in effect but for your default	Upon termination of the Franchise Agreement	See Note 5
Online Ordering Equipment Fee	\$50.00 per month, plus an activation fee of \$250. The equipment purchase price is between \$125 - \$350.	Monthly	This is our food ordering platform and this fee is required to be paid to us.

1. Type of Fee. Except as otherwise noted, fees are collected by and payable to us or our designated affiliates. No fees are refundable. Existing TACO DEL MAR franchisees may have fees that differ from those stated in the table above.
2. Gross Sales. The term “**Gross Sales**” is defined as sales of any kind for all services or products from or through your TACO DEL MAR Restaurant, including any sales made for cash or upon credit, or partly for cash and partly for credit, regardless of collection of charges for which credit is given, regardless of whether sales are conducted in compliance with or in violation of the terms of the Franchise Agreement, and regardless of whether sales occur at the site of your TACO DEL MAR Restaurant or off-site, but excluding discounts, sales taxes, or other similar taxes and credits. The term “Gross Sales” also includes (i) the fair market value of any services or products you receive in barter or exchange for your services and products and all insurance proceeds that you receive for loss of business due to a casualty to or similar event at the TACO DEL MAR Restaurant, (ii) the gross amount of any gift card redemptions at your TACO DEL MAR Restaurant, and (iii) the gross amount of any gift check redemptions at your TACO DEL MAR Restaurant.
3. Automatic Debit. Before opening, you must sign and deliver all documents needed to permit our designated representative to debit your bank account for Royalties, Marketing Fees, and other payments due under the Franchise Agreement or otherwise, including interest due on late payments. However, you must pay all amounts due by means other than automatic debit whenever we deem appropriate.
4. Training Program Expenses. Currently, we do not require you to pay a tuition fee for up to two people to attend the Initial Training Program, but we require you to pay all expenses associated with travel, meals, lodging, wages, and educational technology while you and other attendees attend the Initial Training Program, as well as any fees charged by the training or test facilities. All of these expenses are paid to third parties. Although we currently do not do so, we may in the future charge a tuition fee for training additional managers. We require the Franchise Owner, Designated Partner, and Designated Manager to complete a manager food safety certification and continue to hold valid certification throughout the Designated Manager’s employment in the TACO DEL MAR Restaurant. SafeServ is the designated vendor for this certification and certification is valid for five years; however we will accept an ANSI-accredited manager/owner level food-safety certification. These courses and tests may be administered at facilities operated by independent third parties or online. You must pay for the course and exam, which we estimate will not be more than \$100 to \$250. If a third party administers a course and test, you must pay any course and test fees charged by these third parties, which we estimate will not be more than \$150 to \$250 per person per course and test, although fees may exceed that amount depending on the facility. You will also bear any other costs related to taking these courses and tests, including travel, meals, lodging, wages, and educational technology costs while you attend. (See Item 11)
5. Termination Fee. You will be required to pay us this fee if we terminate the Franchise Agreement based on your default or you terminate without cause. Royalties and Marketing Fees will be calculated by multiplying (1) the number of calendar months remaining under the term of the Franchise Agreement by (2) the aggregate percentages of the Royalties and Marketing Fees, by (3) the average monthly Gross Sales of your TACO DEL MAR Restaurant during the 12 months preceding the termination date. If you have not operated your TACO DEL MAR Restaurant for at least 12 months preceding the termination date, Royalties and Marketing Fees will be calculated based on the average monthly Gross Sales of all TACO DEL MAR Restaurants during our last fiscal year.

ITEM 7
ESTIMATED INITIAL INVESTMENT

**YOUR ESTIMATED INITIAL INVESTMENT
FOR A SINGLE UNIT FRANCHISE**

Type of Expenditure¹	Amount²	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$10,000	Lump Sum	At signing of Franchise Agreement	Us
Site Work ²	\$50,000 - \$150,000	Lump Sum	As arranged	Vendors
Architectural and Building ³	\$150,000 - \$350,000	As arranged	Before opening	Vendors
Freight, Installation and Cranes ⁴	\$35,000 - \$50,000	As arranged	As arranged	Vendors
Restaurant Equipment, Fixtures and Signs ⁵	\$75,000 to \$120,000	As arranged	Before opening	Vendors
Uniforms	\$0 - \$500	Lump Sum	Before opening	Vendors
Computer Systems, Online Ordering, Telephones, Point-of-Sale and Delivery Equipment ⁶	\$3,000 - \$9,000	Lump Sum	Before opening	Vendors
Security Deposits, Utility Deposits, Permits and Business Licenses ⁷	\$3,600 - \$8,000	As agreed	Before opening	Landlord; Vendors; or Government Agencies
Training Expenses ⁸	\$2,500 - \$4,500	As agreed	Before opening	Us
Grand Opening Advertising ⁹	\$5,000 - \$15,000	Lump Sum	Before opening	Vendors
Opening Inventory and Supplies	\$9,000 - \$15,000	Lump Sum	Before opening	One of our Affiliates or Vendors
Additional Funds (3 months) ¹⁰	\$35,000 - \$40,000	As arranged	As incurred	Vendors and your Employees
TOTAL ESTIMATED INITIAL INVESTMENT¹¹ (excluding real estate lease or acquisition costs)	\$388,100 - \$782,000			

Notes:

1. Type of Expenditure. Unless otherwise noted, all amounts that you pay to us or our Affiliates are nonrefundable. Third party vendors will decide if payments to them are refundable. We do not offer, either directly or indirectly, financing to you for any items.

2. Site Work. The site work necessary to prepare the real property for delivery of the Cube will vary greatly depending upon what, if any, upgrades have been made. The site will need to include a concrete

pad, full utilities and cable to the site, drive-thru lane(s) and other improvements as required by the local, state and federal requirements.

3. Architectural and Building. The drawings and construction to build the Cube, including electrical, mechanical, plumbing, HVAC and other utility components within the Cube, are the only costs included in the amounts above. These amounts do not include any site improvement work, nor does it include any review of plans as required by the local government for obtaining permits for construction. Also excluded is the cost of transporting the Cube from the manufacturer to the site and the installation and assembly of the Cube. These costs will vary depending upon the location and condition of your site. Other than a walk-in cooler and freezer, no equipment is included. However you may, at your request and cost, arrange to have the equipment delivered to the manufacturer to have the equipment installed before the Cube delivery.

4. Freight, Installation and Cranes. You will pay freight to have the Cube delivered to your site, as well as pay for the installation of the Cube on the site. The cost will vary depending upon the distance of your site from the Cube manufacturing facility and the condition of the site.

5. Restaurant Equipment and Signs. We will provide you with a list of equipment and specifications for the equipment needed for the Cube. You may purchase the equipment from any vendor using our specifications. We will also provide you with our sign criteria, both for interior and exterior signs.

6. Computer Systems, Online Ordering, Telephones, Point-of-Sale and Delivery Equipment. You must purchase from a designated vendor our authorized point-of-sale system, computer system, including a tablet or laptop, and credit/debit and gift card processing system. You may also, at your option, elect to finance our authorized point-of-sale system, electronic cash register and computer system through the designated vendor. The amount you pay will vary depending upon the number of terminals and tablets you purchase.

7. Security Deposits, Utility Deposits, Permits and Business Licenses. The above amounts will vary depending upon the jurisdiction in which your TACO DEL MAR Restaurant will be located and the requirements of your landlord, local governmental agencies and utility companies.

8. Training Expenses. You are responsible for arranging and paying for transportation and paying the expenses for meals, lodging and salaries for any persons attending the Initial Training Program. The amount expended will depend on the distance you travel, type of transportation and accommodations you choose, and potentially any local travel mandates and health authority protocol that may require isolation or quarantine before or after your travel. The estimate contemplates attendance by one person. Your expenses will be higher if more than one individual attends the training program.

9. Grand Opening Advertising Campaign. The low amount of the range reflects the current minimum expenditure you must spend on a grand opening advertising and promotional program for your TACO DEL MAR Restaurant, as required under the Operations Manual.

10. Additional Funds. This range estimates the funds needed to cover your initial expenses for the first three months of operation. These expenses may include insurance, legal fees, accounting fees, utilities, food orders, paper supplies, and miscellaneous supplies. All of these expenses are paid to third parties. We have relied on our predecessor's and our principals' many collective years of experience in the TACO DEL MAR Restaurant industry to compile these estimates.

11. Total Estimated Initial Investment. This range does not include real estate leasing or acquisition costs. Because these figures are only estimates, it is possible both to reduce and to exceed costs in any of the areas listed above. Actual costs will vary depending on physical size and current condition of the

premises. In addition, actual costs may substantially exceed these estimates in a major metropolitan market and the high range figures in this Item 7 do not reflect these costs. You should review all figures in this Item 7 carefully with a business advisor before you decide to purchase the franchise. Neither we nor our affiliates offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions. The estimate does not include any finance charge, interest, or debt service obligation.

YOUR ESTIMATED INITIAL INVESTMENT - DEVELOPMENT AGREEMENT

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment Is To Be Made</u>
Development Fee (See Note 1)	\$5,000 - \$10,000	Lump Sum	Upon signing the Development Agreement	Us
Other Expenditures for first TACO DEL MAR Restaurant (less initial franchise fee for first TACO DEL MAR Restaurant, which is included in the Development Fee) (See Note 2)	\$388,100 - \$782,000	As disclosed in first table under Item 7	As disclosed in first table under Item 7	As disclosed in first table under Item 7
TOTAL ESTIMATED INITIAL INVESTMENT	\$403,100 to \$802,000			

Explanatory Notes

Note 1: Development Fee. The chart provides an estimate of your initial investment to open your first TACO DEL MAR Restaurant assuming you sign a Development Agreement to develop 3 Shops (low estimate) or more. When you sign a Development Agreement to open multiple TACO DEL MAR Restaurants, you must pay an initial franchise fee of \$30,000 for the first TACO DEL MAR Restaurant plus a development fee equal to \$5,000 multiplied by the number of additional Shops to be developed, in a geographic territory reserved for your development of TACO DEL MAR Restaurants. We apply the nonrefundable development fee paid toward the discounted initial franchise fee for the second and each additional TACO DEL MAR Restaurant to be developed, the balance of which is paid at a later date. The low estimate assumes you will enter into a Development Agreement requiring you to develop 3 Shops and the high estimate assumes you will enter into a Development Agreement to 4 or more shops.

Note 2: Other Fees. You will also incur the estimated initial investment for the second and each subsequent Shop developed, plus the balance due on the discounted initial franchise fee.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You are required to use only approved and/or designated vendors (which may be us or our affiliates) for certain goods and services and are required to enroll in certain mandatory service programs, as described below and as set forth in our Operations Manual. You must purchase all goods and services required for the operation of the TACO DEL MAR Restaurant from authorized and/or designated vendors (which there may be only one vendor for any given good or service) under terms and in the manner and from the source designated by us or any of our affiliates. If we or any of our affiliates designates such goods and services are to be purchased through approved and/or designated third-party distributors, then you must purchase such goods and services from such distributors pursuant to the terms and in the manner approved by us and/or our affiliates.

Except as noted in this Item, we and our affiliates currently are not the only approved vendors of any item, although our affiliates may become approved vendors at any time in the future and may even be the designated or sole vendor of one or more items, in which case you would have to buy the items from our affiliates at their then current prices.

If you desire to purchase equipment, products, services, supplies, or materials from suppliers other than those previously approved, we may permit you to do so, but you first must submit a written variance request to change the supplier. We will notify you in writing of approval or rejection of the proposed alternative supplier within a reasonable time (typically no longer than 30 business days) after completing our investigation. We may withhold approval of the proposed supplier for any reason. In order to make a decision, we may require that samples of a proposed new product first be delivered for testing. Permission for inspection will be a condition of the continued approval of any supplier. We may require you to pay a fee not to exceed the actual cost of the test. We and our affiliates may periodically to inspect the facilities and products of any approved vendor and to revoke approval upon the vendor's failure to continue to meet any of our then-current criteria. Such criteria are not generally made available to franchisees. If an exclusive vendor already has been designated for the equipment, products, services, supplies, or materials proposed to be offered by a new vendor, your request for a new vendor likely will be rejected without further review or investigation.

TACO DEL MAR standards and specifications will be formulated and modified based on our affiliates' and franchisees' experience in operating TACO DEL MAR Restaurants. We use the Operations Manual or other communications to issue TACO DEL MAR standards and specifications and the names of approved or designated suppliers to franchisees. We will also use the Operations Manual to modify such specifications.

Equipment and Fixtures

You must follow all TACO DEL MAR standards and specifications for construction, design, and remodeling of your TACO DEL MAR Restaurant premises, food products, packaging, advertising materials, supplies, ingredients, equipment, point-of-sale system, fixtures, furnishings, computer, and other items used in operating your TACO DEL MAR Restaurant. You must purchase or lease (as designated) these items only from suppliers or other sources approved and/or designated for the TACO DEL MAR System. Any used equipment you wish to use in your TACO DEL MAR Restaurant must receive our prior written approval. We and our affiliates may designate a single approved supplier for certain items and our affiliates may be an approved or the designated supplier for certain items. If there is no approved or designated supplier for a particular item, you must obtain all products and services from suppliers who meet TACO DEL MAR specifications and standards as to quality, composition, appearance, and service and adequately demonstrate their capacity to supply your needs in the quantities, at the times, and with the

reliability required for an efficient operation. We have the right to choose the suppliers to the TACO DEL MAR System.

You may be required to purchase and/or lease certain restaurant equipment and building materials for your TACO DEL MAR Restaurant from vendors designated by us. However, we also currently permit you to purchase certain pre-owned equipment for your TACO DEL MAR Restaurant from us or a third party such as a bank, landlord or one of our franchisees so long as such equipment meets our standards and specifications as to quality, composition, appearance, and service.

TACO DEL MAR Cube

The TACO DEL MAR Restaurant will be operated from a stand-alone pre-fabricated modular structure (“**Cube**”). We are granting franchises for a traditional TACO DEL MAR model located in a strip center, mall and with a dining room only when the location does not allow for a Cube model and then, only in our sole discretion.

You must purchase the Cube from our required vendor, BCubed Manufacturing, LLC, and sign Building Construction and Sale Agreement with BCubed. There are no other vendors available for the manufacturing of the Cube. You will purchase the Cube directly from the required vendor and arrange for delivery and assembly once your site is completely prepared for delivery based on the vendor’s requirements.

TACO DEL MAR Restaurant Products and Supplies

You must purchase all products, services, supplies and materials required for operation of your TACO DEL MAR Restaurant from vendors approved or designated by us.

Wi-Fi Enabled Tablet Operations, Training and Communication System

You must purchase and enable a secure Wi-Fi system and tablet computers dedicated to training, operations, and franchise-related communications. We currently do not require you to purchase the tablets from any certain vendor or supplier.

Point-of-Sale System, Computer System, Credit/Debit and Gift Card Processing System

You must purchase or lease from our designated vendor our approved point-of-sale system, computer system hardware from our designated vendor and download software to run the point-of-sale system, , and credit/debit and gift card processing system. We require that you purchase your point-of-sale and credit/debit card processing system from required vendors, which we reserve the right to change.

Facilities Services

You must use one of our designated vendors of certain applicable facilities services (for example, mats, mops, and towels).

Music Services

We require that franchisees subscribe to music services provided by a designated vendor. The fee for music services may be payable to us or our affiliates, or directly to the vendor.

Online Ordering Website

We require you to subscribe to an online ordering website that allows customers to place online orders for pick-up from the TACO DEL MAR Restaurant provided by a designated vendor.

Delivery Website

In order to standardize delivery services and enhance the customers' experience in the delivery process, we may require franchisees that offer delivery services to subscribe to a delivery website provided by a designated vendor.

Beverages

You must purchase all fountain beverage products and certain ready-to-drink packaged beverage products from a designated vendor (currently Coca-Cola). In addition, you will obtain fountain-beverage equipment and a beverage cooler from our designated vendor.

TACO DEL MAR Restaurant Operations Management Tool

You must use our designated vendor to purchase and maintain the required operational checklists, temperature logs, prep charts, contact logs, and other TACO DEL MAR Restaurant brand operations management tools.

Insurance

You are required throughout the term of the Franchise Agreement to maintain certain minimum amounts and types of insurance coverage as we specify in the Operations Manual periodically. Currently, we require that, at a minimum, you must maintain the following types and minimum amounts of insurance coverage, described in greater detail in the Operations Manual: commercial general liability — bodily injury and property damage (\$1 million per occurrence), including products/completed operations (\$2 million general aggregate); automobile liability — any owned, hired and non-owned vehicles (\$1 million per accident, which is a separate limit from the general liability limit) that includes delivery operations (if you offer delivery services); workers compensation — in compliance with state and local laws; cyber-risk insurance — data and privacy breach (\$1 million per occurrence/\$2 million general aggregate); and property insurance in amounts that protect your business personal property, fixtures, improvements and betterments, and business interruption. The minimum coverages we specify are for our benefit and are not intended to be relied upon by you as a recommendation as to the types of coverages and coverage limits which are or might be appropriate for your particular business. You should also consult your lease for required insurance coverages. Additional coverages and limits might be appropriate based, for example, on the location of your TACO DEL MAR Restaurant, and we recommend that you consult your insurance advisor regarding such additional coverages. If you fail to purchase this insurance, we or our affiliates may obtain insurance for you, and you must reimburse them for its cost. All liability insurance policies must: name us and our affiliates as additional insureds with the same coverages as provided to you without limitation, using a form of endorsement we have approved; not be considered excess to any of our or our affiliates' policies; and give all of us at least 30 days' prior written notice of termination, material amendment, or cancellation. You also must provide certificates of insurance evidencing your insurance coverage in compliance with these minimums, complete copies of your insurance policies, and evidence the policies' premiums have been paid no later than 10 days before your TACO DEL MAR Restaurant opens and each year when your policies renew.

Marketing

All marketing and promotion of your TACO DEL MAR Restaurant must conform to TACO DEL MAR standards and specifications. You must submit (through the mail or electronic mail, return receipt requested) for advanced authorization samples of all advertising and promotional materials that you want to use that we or our affiliates have not prepared or previously authorized. Any proposed uses not previously authorized by us or our affiliates must be submitted to us or our affiliates at least 10 days before use. We have designated an authorized marketing products website vendor where franchisees can access and place orders for various types of marketing materials for their TACO DEL MAR Restaurant. We have also designated an authorized marketing products vendor, to make these marketing materials available for purchase by our franchisees. We may directly purchase these marketing materials through these vendors and distribute the materials to our franchisees, but we do not currently add a markup to the purchase price when franchisees purchase these materials. These vendors are not affiliated with us.

As noted above, our affiliates may receive revenue directly from sales to franchisees of required products or services. In addition, we and our affiliates have the right to receive payments from unaffiliated vendors on account of their actual or prospective dealings with you and other franchisees and to use the amounts received without restriction (unless we or our affiliates agree otherwise with the vendor) for any purpose we or our affiliates deem appropriate. Our affiliates may negotiate purchase arrangements with vendors for the benefit of the TACO DEL MAR System, which often include volume discounts. Some vendors may pay fees to us and/or our affiliates for products purchased through these negotiated agreements, and willingness to pay us and/or our affiliates fees may be a condition for approving a vendor. For beverage products, these fees generally range from \$6.13 to \$8.25 per gallon. For food products, these fees are usually based on an amount per case or per pound of product ordered and generally range from less than \$1 to \$20 per case or from less than \$1 to \$4.60 per pound. We also receive a fee ranging approximately from \$0.01 to \$0.03 per transaction from our credit card processing vendor. Other than above, neither we nor our affiliates have derived any revenue or other material consideration from franchisees based on required purchases or leases by franchisees during our last fiscal year, which ended December 26, 2021.

Except as otherwise disclosed in this Item 8, neither we nor our affiliates are the only authorized vendor for any goods or services purchased or leased by franchisees.

We do not provide any material benefits (including, for example, renewal or granting additional franchises) to a franchisee based on the franchisee's purchase of particular products or services or use of designated or authorized vendors. We estimate that the cost of your purchases from designated or authorized vendors, or according to TACO DEL MAR standards and specifications, will range from 80% to 100% of the total cost of establishing, and approximately 30% to 40% of the total cost of operating, your TACO DEL MAR Restaurant. These estimates are the same for franchisees operating under any Special Product (defined in Item 11) program. There currently are no purchasing or distribution cooperatives within the TACO DEL MAR System. None of our officers have ownership interests in any of our authorized or designated vendors.

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 and Multi-Unit Development Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	Sections 2.3, 4.1, 4.2, 4.3 and 11.1.1, of Franchise Agreement; Section 2.4 of the Multi-Unit Development Agreement	5, 7, 8, and 11
(b) Pre-opening purchases/leases	Section 4.4, 4.5, 4.6 and 4.8 of Franchise Agreement	7, 8, and 10
(c) Site development and other pre-opening requirements	Sections 4.2, 4.3, 4.4, 4.5, 4.6, 4.7 and 4.8 of Franchise Agreement	7, 8, 11, and 12
(d) Initial and ongoing training	Sections 8.1, 8.2 and 8.3 of Franchise Agreement	11
(e) Opening	Section 4.8 of Franchise Agreement; Section 2.1 and 2.2 of the Multi-Unit Development Agreement	11
(f) Fees	Sections 3.3.2, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 6.1, 6.2, 8.2, 8.3, 10.5, 11.2.4, 12.2, 12.3, 12.6, 12.15, 13.1, 13.5, 14.3, 16.4, 17.3, 18.1.8, 21.1, 21.2, 25.2.3, and 27.2 of Franchise Agreement; Section 3.1 and 3.2 of the Multi-Unit Development Agreement	5, 6, 7, 10 and 11
(g) Compliance with standards and policies/Operations Manual	Sections 1.3, 2.6, 3.3, 4.5, 4.6, 8.3, 9.1, 13.1, 13.2, 14.1, 14.2, 14.3 and 17.2 of Franchise Agreement	8 and 11
(h) Trademarks and proprietary information	Sections 1.2, 10.1, 10.4, 15.1, 15.2, 15.3 and 15.4 of Franchise Agreement	13 and 14
(i) Restrictions on products/services offered	Sections 4.8, 4.9, 12.6, 14.3, 14.4 and 14.5 of Franchise Agreement	8, 11, and 16
(j) Warranty and customer service requirements	Not applicable	
(k) Territorial development and sales quotas	Not applicable	
(l) On-going product/service purchases	Sections 4.5, 4.6, 14.4 and 14.5 of Franchise Agreement	8

Obligation	Section in Franchise Agreement and Multi-Unit Development Agreement	Disclosure Document Item
(m) Maintenance, appearance and remodeling requirements	Sections 3.3, 4.4, and 4.5 of Franchise Agreement	11
(n) Insurance	Sections 12.12 and 12.13 of Franchise Agreement	6, 7, and 8
(o) Advertising	Sections 5.7, 12.14, 12.15, 13.1, 13.2, 13.3, 13.4 and 13.6 of Franchise Agreement	6, 7, and 11
(p) Indemnification	Section 21.1 of Franchise Agreement; Section 7.3 of the Multi-Unit Development Agreement	6
(q) Owner's participation/management/staffing	Sections 7.1, 7.2, 7.3, 12.1 and 12.4 of Franchise Agreement	11 and 15
(r) Records and reports	Sections 10.6, 16.1, 16.2, and 16.3 of Franchise Agreement	11
(s) Inspections and audits	Sections 4.7, 14.2 and 16.4 of Franchise Agreement	6
(t) Transfer	Section 17.1 through 17.7 of Franchise Agreement	17
(u) Renewal	Sections 3.2, 3.3, 3.4, and 3.5 of Franchise Agreement	17
(v) Post-termination obligations	Sections 19.1, 23.3 and 24.5 of Franchise Agreement	17
(w) Non-competition covenants	Sections 23.3 of Franchise Agreement	17
(x) Dispute resolution	Section 24 of Franchise Agreement; Section 7 of the Multi-Unit Development Agreement	17

ITEM 10 FINANCING

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

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

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

Our Obligations Before the TACO DEL MAR Restaurant Opens

Before you open a TACO DEL MAR Restaurant, we or another authorized representative (which may be an affiliate of ours) will perform for you the services listed below.

1. We will give you specifications for the TACO DEL MAR Restaurant's site if you do not have an accepted location when you sign the Franchise Agreement. Acceptance of any proposed site is based on information you submit to us in a site submittal package. While we may provide you with certain third-party demographic information regarding the market area around your proposed site, you are responsible for compiling the information necessary for us to evaluate your site. (Sections 4.1 and 11.1.1, Franchise Agreement)

2. Give you guidance on procuring a Cube from our required vendor, or if a traditional TACO DEL MAR Restaurant, advice regarding the required build-out, interior design, layout, floor plan, signs, design, color, and decoration of the TACO DEL MAR Restaurant's premises. (Sections 4.4, 4.5 and 11.1.2, Franchise Agreement)

3. Give you advice regarding TACO DEL MAR standards and specifications for the equipment, supplies, and materials used in, and the menu items offered for sale by, your TACO DEL MAR Restaurant and the selection of suppliers. (Sections 4.6 and 11.1.3, Franchise Agreement)

4. Train the Multi-Unit Developer, Franchise Owner/Operator or operating partner ("**Designated Operating Partner**") and the general manager ("**Designated Manager**") that you designate to assume primary responsibility for managing the TACO DEL MAR Restaurant in a training facility designated by us (in a training restaurant we designate, in a virtual classroom, or another location designated by us). (Sections 8.1 and 11.1.5, Franchise Agreement)

5. Loan you, or make available online, one electronic copy of an Operations Manual (and appropriate updates and revisions), covering the TACO DEL MAR Restaurant's operating and marketing techniques. (Sections 9.1, 9.2 and 11.1.7, Franchise Agreement)

6. Provide opening assistance to assist you in opening your TACO DEL MAR Restaurant. (Section 11.1.6, Franchise Agreement)

7. Guide you in implementing advertising and marketing programs, operating and sales procedures, and bookkeeping and accounting programs. (Section 11.1.4, Franchise Agreement)

Typical Length of Time Before Operation

We estimate that the typical length of time between the date you sign the Franchise Agreement (and any applicable addendum) and open a new TACO DEL MAR Restaurant is twelve (12) months. The length of time depends on your ability to locate a site, secure financing, and obtain a Lease; the extent to which you must prepare the site for delivery and assembly of the Cube or, if a traditional TACO DEL MAR Restaurant, upgrade or remodel an existing location; the delivery schedule for the Cube, equipment, inventory, and supplies; and completing training.

Except as described below, you must open a new TACO DEL MAR Restaurant within 12 months after you sign the Franchise Agreement. However, if we determine, in our sole discretion, that you are continuing to diligently work toward obtaining a suitable location and/or Lease so that you can reasonably be expected to open your TACO DEL MAR Restaurant within 18 months, we will not terminate the Franchise Agreement until the earlier of 18 months after signing your Franchise Agreement or such time as we determine, in our sole discretion, that you are no longer actively and diligently pursuing the opening of the TACO DEL MAR Restaurant.

Continuing Assistance

During the operation of your TACO DEL MAR Restaurant, we, or another authorized representative (which may be an affiliate of ours) will perform for you the services listed below.

1. If you request, provide telephone consultation regarding the continued operation and management of your TACO DEL MAR Restaurant and advice regarding TACO DEL MAR Restaurant services, product quality control, menu items, customer relations, and similar matters. (Section 11.2.1, Franchise Agreement)

2. Give you access to advertising and promotional materials developed for the TACO DEL MAR System. (Section 11.2.2, Franchise Agreement)

3. Provide you, as deemed necessary, on-going updates of information and programs regarding menu items and their preparation, the TACO DEL MAR Restaurant business, and related licensed methods, including information about special or new services, products or methods of operation developed for the TACO DEL MAR System and made available to franchisees. (Section 11.2.3, Franchise Agreement)

4. Train replacement or additional Franchise Owner/Operators or Designated Operating Partners or additional Designated Managers during the franchise term. You might have to pay a tuition or fee for training, payable in advance, equal to then current rates. (See Item 6). You must pay all travel and living expenses for your personnel during the training program, in addition to wages. The availability of the training programs depends on space considerations and prior commitments to other TACO DEL MAR franchisees. (Sections 11.2.4, Franchise Agreement)

5. Provide guidance and consultation to you and/or your bookkeeping service providers, as we deem appropriate, with respect to compliance with TACO DEL MAR standards and specifications for the provision of those services. (Section 11.1.4, Franchise Agreement) (See Items 6 and 8)

Our Obligations During the Multi-Unit Development Agreement

A developer signs the Franchise Agreement for the first TACO DEL MAR Restaurant to be developed in the Development Schedule at the time the Multi-Unit Development Agreement is signed. Our obligations under the Franchise Agreement apply to a developer. Each time a developer signs another Franchise Agreement, our obligations are activated for the new TACO DEL MAR Restaurant to be established. We do not have separate obligations under the Multi-Unit Development Agreement.

Marketing and Promotion

You must pay a Marketing Fee of 2% of your weekly Gross Sales (see Item 6), which is deposited in a bank, commercial account, or savings account (“**Marketing Fund**”). We reserve the right to increase the Marketing Fee up to a maximum of 4.5% of Gross Sales based on the prior week’s Gross Sales;

however, we may not increase the Marketing Fee by more than 1/2% in any given year (by way of example, we may only increase the Marketing Fee to 2.5% of Gross Sales after the first year of the Initial Term of the Franchise Agreement). Affiliate-owned TACO DEL MAR Restaurants may not pay into the Marketing Fund on an equal percentage basis with all franchised TACO DEL MAR Restaurants. Certain TACO DEL MAR Restaurants may not contribute to the Marketing Fund or may contribute on a different percentage basis. Upon written request, annual unaudited financial statements are available to franchisees 120 days after the end of the Marketing Fund's fiscal year.

One or more of our affiliates administer and control the Marketing Fund, which is used to create, produce, and place advertising, in-store signs, in-store promotions, and commercial or online/digital advertising; to pay agency costs and commissions; to create and produce video, audio, and written advertisements; to administer multi-regional advertising programs, including direct mail and other media advertising; to employ advertising agencies and in-house staff assistance; to support public relations, market research, and other advertising and marketing activities; to conduct product and menu testing; to create, produce, and implement websites for us and/or our franchisees; to conduct crypto currency and other blockchain promotions; develop and maintain a presence on any virtual platform (including, without limitation, the metaverse) and to develop and maintain application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or "next generations" of any such devices. The advertising may be disseminated in print, television, radio, or other interactive media. The coverage has been local, regional and national. The Marketing Fund will not be used for direct solicitation of franchisees.

Our affiliates may be reimbursed from the Marketing Fund for administrative costs, salaries, and overhead expenses related to administering the Marketing Fund and its marketing programs, including conducting market research, preparing material, and collecting and accounting for Marketing Fund contributions. In any fiscal year, the Marketing Fund may spend more or less than the aggregate contribution of all TACO DEL MAR Restaurants to the Marketing Fund in that year. TACO DEL MAR affiliates may, periodically and in our discretion, make additional investments into the Marketing Fund to supplement the efforts of that fund.

The Marketing Fund may also borrow from TACO DEL MAR affiliates (at commercially reasonable rates) or third-party lenders to cover deficits or invest any surplus for future use. Any amounts that remain in the Marketing Fund at the end of each year accrue and are applied toward the next year's expenses. The Marketing Fund is not our or any affiliate's asset. We are not required to spend any amount on advertising in your territory. The Marketing Fund is to maximize recognition of the Marks and patronage of TACO DEL MAR Restaurants. Although our affiliates will try to use the Marketing Fund to develop advertising and marketing materials and programs and to place advertising and marketing that will benefit all franchisees, they need not ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to Marketing Fund contributions by TACO DEL MAR Restaurants operating in that geographic area or that any franchisee benefits directly or in proportion to its Marketing Fund contribution from the development of advertising and marketing materials or the placement of advertising. We and our affiliates have the right to deposit into the Marketing Fund any advertising, marketing, or similar allowances paid by suppliers. (See Item 8). We and our affiliates assume no other direct or indirect liability or obligation to you for collecting amounts due to or maintaining, directing, or administering, any advertising account.

Our affiliates may use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense. Our affiliates also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Our affiliates may at any time defer or reduce a franchisee's contributions and, upon 30 days' prior written notice to you, reduce or suspend Marketing Fund contributions and operations for one or more periods of any length and terminate (and, if terminated,

reinstate) the Marketing Fund. If the Marketing Fund is terminated, our affiliates will distribute all unspent monies to the contributors in proportion to their respective Marketing Fund contributions during the preceding 12-month period.

You may create your own advertising and promotion materials; however, all your advertising and promotion must be in approved media and formats, be conducted in a dignified manner, and conform to TACO DEL MAR standards and requirements. You may not use any advertising or promotional plans or materials until you receive our written approval.

You must participate in any promotion campaigns, advertising, loyalty programs, and other programs periodically established or approved for TACO DEL MAR Restaurants, whether on a national, regional or local basis. This includes accepting coupons and gift cards that we or our affiliates issue. In some instances, while participation is mandatory, we may allow you to participate at different price points (subject to our right to establish maximum and minimum pricing). In-house personnel and outside ad agencies create advertising and promotions for the Marketing Fund.

In-house personnel and outside ad agencies create advertising and promotions for the Marketing Fund. During the fiscal year ending December 27, 2021, the Marketing Fund spent 39% of its total expenses on production of marketing materials (including television and radio, research, shipping, and direct marketing promotions), 17% for media placement and other forms of direct advertising, and 44% for administrative expenses.

Franchisee Advisory Council

We currently have an advisory council composed of franchisees that volunteer to serve a 1-year term. The advisory council provides feedback on brand direction, strategic programs, key initiatives and makes recommendations for operational improvements. Council participants provide insight to us in an advisory capacity only on how we can continue to improve business initiatives and drive growth; they do not have approval or veto rights of any expenditures. Council members are selected by us. We may remove a council member at any time for any reason. There is no set number of council members or limit on the number of terms they may serve. We may expand, reduce, change, or dissolve the advisory council at any time.

Grand Opening Advertising Campaign

You must conduct a grand opening advertising campaign for your TACO DEL MAR Restaurant when and in the manner specified by us. You must spend a minimum of \$10,000 and \$25,000 on the grand opening advertising and promotional program.

Site Selection Assistance

We may provide certain assistance in finding a site for you. However, it is your responsibility to locate suitable premises for your TACO DEL MAR Restaurant. A particular site or area in which you have expressed an interest prior to signing your Franchise Agreement may not be available, and your obligations under the Franchise Agreement are not conditioned upon securing any particular site or a site in a particular area. We do not generally own the site for your TACO DEL MAR Restaurant and lease it to you.

If we present you with a site that meets TACO DEL MAR criteria and you refuse to secure the site for any reason, we may present the site to another franchisee. The site we present you may be a site that is currently being operated as a TACO DEL MAR Restaurant by a franchisee or by our affiliate.

We, either directly or through our affiliate, will make the final determination to authorize or reject any site which you propose to us. That determination may be based on various criteria and procedures (such as general location and neighborhood, traffic patterns, parking, and demographics) which may change periodically in our discretion. We will typically make our determination within 45 days of our receipt of all materials we require for site authorization. If you propose a site and we determine that it does not meet our criteria, it will be rejected, and you will be required to propose an alternative site. It is your responsibility to find a site that meets our criteria. You are responsible for confirming the premises to local ordinances and building codes and obtaining the appropriate permits.

Before you sign a Lease, we have the right, but not the obligation, to review and accept the terms of the Lease. However, whether we elect to review and accept the Lease or not, the Lease must contain certain provisions we require, including a collateral assignment of lease, under the form of Lease Addendum attached as Exhibit D to the Franchise Agreement. If you or the landlord requests that we consider any modifications to the Lease Addendum, and we elect to do so, we may also require you to reimburse us all expenses that we incur (including attorneys' fees) in connection with this review. We estimate this review may take up to 30 days. You must deliver to us a signed copy of the Lease and Lease Addendum within 14 days after the execution of the Lease.

Generally, it may take from six to eight months or longer to find an acceptable site and sign a Lease. If you do not find an acceptable site and sign a Lease so that you can open your TACO DEL MAR Restaurant within 12 months after signing the Franchise Agreement, we may terminate the Franchise Agreement, unless we determine, in our sole discretion, that you are continuing to actively and diligently obtain a suitable location and/or Lease. If we determine at the end of 12 months that you are diligently working toward obtaining a suitable location and/or Lease so that you can reasonably be expected to open your TACO DEL MAR Restaurant within 18 months after signing the Franchise Agreement, we will not terminate the Franchise Agreement until the earlier of 18 months after signing the Franchise Agreement or such time as we determine, in our sole discretion, that you are no longer actively and diligently seeking to obtain a suitable location and/or Lease.

We, either directly or through our affiliate, will make the final determination to authorize or reject any site which you propose to us. That determination may be based on various criteria and procedures which may change periodically in our discretion. We will typically make our determination within 7 days of our receipt of all materials we require relating to your site selection. If you propose a site and we determine that it does not meet our criteria, it will be rejected, and you will be required to propose an alternative site. It is your responsibility to find a site that meets our criteria. Our authorization of your site is for our sole benefit and the benefit of the TACO DEL MAR System. You are responsible for assessing whether a proposed site meets your needs by conducting your own due diligence. You are responsible for conforming the premises to local ordinances and building codes and obtaining the appropriate permits.

Computer Hardware and Software/Point-of-Sale Systems

You must obtain for your TACO DEL MAR Restaurant our authorized point-of-sale system for taking customer orders, recording sales, and running local reports. You must additionally purchase a personal computer that is Microsoft compatible utilizing a currently supported Microsoft operating system with Microsoft internet browser and a letter-quality printer to print reports generated by your personal computer. The personal computer must have in-store access to a high-speed internet connection (where available). Additionally, we will require you to have another tablet or laptop in addition to a personal computer. We and our affiliates may require you to use other specific software programs. All hardware components are the proprietary property of their manufacturers, who need not provide ongoing maintenance, repairs, upgrades, or updates unless you pay for them. The annual cost of any required or optional maintenance, updating, upgrading or support contracts will vary due to the computer systems you

purchase.. We and our affiliates may update specifications periodically. We and our affiliates will have independent access to the sales information and data produced by your point-of-sale system and computer system. We and our affiliates may also electronically poll your point-of-sale system and download information contained in the point-of-sale system. There are no contractual limitations on our and our affiliates' right to access this information and data. You have a contractual obligation to update hardware components and software to meet then current TACO DEL MAR standards and specifications and to address technological developments or events, and there is no contractual limitation on the frequency of this requirement.

You must purchase or lease from a designated vendor our approved point-of-sale system, computer system, music system, and credit/debit and gift card processing system. We will have access to your records contained on your computer cash register system.

The cost of your computer hardware and software will be approximately \$2,000 to \$2,580 (excluding taxes, shipping and other fees). The monthly cost for the point-of-sale system bundle and related software license and technical support is \$188.00 per monthly (plus applicable taxes and fees) per terminal.

Operations Manual

Exhibit L to this Disclosure Document is the table of contents of the TACO DEL MAR Operations Manual. There are approximately 500-550 pages in the Operations Manual.

Training

After you sign the Franchise Agreement, you, your Designated Operating Partner or your Designated Manager, if applicable, must attend and satisfactorily complete the Initial Training Program at such time or times designated by us. There is no charge for up to two individuals, although you must pay travel and living expenses, wages, and applicable test facility fees for all attendees who attend the Initial Training Program.

Currently, the Initial Training Program is conducted on an as-needed basis via paper-based and digital tools and e-learning platforms, virtual and traditional classrooms, and in-person training in a training TACO DEL MAR Restaurant operated by us or an affiliate ("**Training TACO DEL MAR Restaurant**") at a location we designate, under the guidance of a tenured franchise owner and their tenured staff ("**TACO DEL MAR-certified Training Mentor**"). We may conduct initial training at our offices located in Denver, Colorado, virtually, or any other location we designate.

Our Initial Training Program for Multi-Unit Owners/Developers that must be completed is currently a self-paced program, ranging between 5 to 16 days, depending on your needs and personal rate of learning ("**Initial Training Program for Multi-unit Owners and Developers**"), which includes both self-lead/self-paced learning, and in-person/hands-on training ("**Initial Training Program for Franchise Owner/Operators or Designated Operating Partners**"). Our Initial Training Program for Franchise Owner/Operators or Designated Operating Partners ranges between 10 to 20 days, consisting of self-paced individual on-your-own learning and hands-on in-person restaurant training. Our training program for Designated Managers ranges between 15 to 20 days consisting of self-paced individual on-your-own learning and hands-on, in-person restaurant training ("**Initial Training Program for Designated Managers**").

The required initial training will be supplemented with ongoing, as-needed continuous learning and development as determined by your TACO DEL MAR field leadership partner(s) and your individual needs. The program includes self-paced, self-directed exploration of paper-based, digital, and online

coursework materials. Additionally, trainees may be required to complete the self-paced study and testing as a prerequisite assignment before they enter the Initial Training Program or progress to the in-person restaurant training. The Initial Training Program and curriculum may change at any time. If you are a corporation, partnership, or limited liability company, you must have a Designated Operating Partner (multi-unit) or Designated Manager (single unit) who owns at least 10% of the entity's ownership interests attend the Initial Training. We may require the Managing Owner, Designated Operating Partner, or Designated Manager, if known, to demonstrate they can perform basic math and English language communication (reading, writing, verbal) before they begin the Initial Training Program. There may be additional training and testing attendees must pass before beginning certain portions of the training. Currently, we require all Owners, Designated Operating Partners and Managers to complete a manager/owner-level food safety certification. ServSafe is the designated vendor for this certification; however, we will accept ANSI accredited manager/owner level food-safety certifications if current and valid. These courses and tests may be administered at facilities operated by independent third parties or online. You must pay for the online course and exam, which we estimate will not be more than \$150 to \$250 per person per course and test; although, fees or taxes may exceed that amount depending on the facility. You also will bear any other costs related to taking these courses and tests including travel, lodging, and other living costs.

If you (or Designated Operating Partner) and your Designated Manager request additional training during the Initial Training Program, we will provide such additional training to you (or your Designated Operating Partner) and Designated Manager so long as you pay to us an amount equal to our then current per diem charge for such training, which includes a fee for educational technology and materials used during training. However, if you or your Designated Operating Partner and Designated Manager satisfactorily complete the Initial Training Program, and do not notify us in writing at the end of the Initial Training Program that you (or your Designated Operating Partner) and the Designated Manager are not completely trained in the operation of a TACO DEL MAR Restaurant, then you will be deemed to have been trained sufficiently to operate a TACO DEL MAR Restaurant.

We may require you (or your Designated Operating Partner), your Designated Manager, and your other employees to attend, at your expense, additional training if your TACO DEL MAR Restaurant does not meet certain performance standards established by us, or if we solely determine that additional training is necessary or required. Additionally, we reserve the right to conduct (and to authorize third parties to conduct) training programs, meetings, seminars, or conferences at locations to be determined by us to discuss relevant business trends and share new information relating to the TACO DEL MAR Restaurant System, including, but not limited to, advertising programs, new operations methods, training, management, sales, or sales promotions. Attendance at periodic market meetings by you (or your Managing Owner, Designated Operating Partner) and your Designated Manager is required. All such mandatory training will be offered without tuition or a fee; however, Franchisee will be responsible for any and all travel and living expenses incurred in connection with attending such training, as well as wages or salaries, if any, to the person(s) receiving training. There are no limits on the number of meetings we may require you to attend each year.

Currently, the following initial trainings are provided, based on role:

TRAINING PROGRAM: MULTI-UNIT OWNERS AND DEVELOPERS

(average completed within 5-16 days)

Subject	Approximate Classroom Hours of Self-paced Individual Learning (virtual or paper-based)	Approximate Hours of hands-on, on-the-job Training (in-training restaurant)	Location
ServSafe Manager Certification	6-10	n/a	Third-party online or in-person facilitator with proctored exam
Taco Del Mar TableStakes and Brand Standards	1-2	6-8	Training TACO DEL MAR Restaurant or other Location
Taco Del Mar Ownership & Operations Overview	3-8	6-8	Training TACO DEL MAR Restaurant or other Location
Marketing Support	1-2	2-4	Training TACO DEL MAR Restaurant or other Location
Technology & Support	1-2	2-4	Training TACO DEL MAR Restaurant or other Location
Tools and Reports	1-3	2-4 (plus 2-4 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Supply Chain Support	1-2	1-2	Training TACO DEL MAR Restaurant or other Location
Field Support	2-4	4-8	Training TACO DEL MAR Restaurant or other Location

Market & Business Plan Presentation	1-2	1 (plus 2-4 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Total	17-35	24-39 (plus 4-8 hours of homework)	

TRAINING PROGRAM: DESIGNATED OPERATING PARTNER OR FRANCHISE OWNER/OPERATOR

(average completed between 8-20 days)

Subject	Approximate Classroom Hours of Self-paced Learning	Approximate Hours of hands-on, on-the-job Training	Location
ServSafe Manager Certification	6-10	n/a	Third-party online or in-person facilitator with proctored exam
Taco Del Mar TableStakes & Brand Standards	1-2	6-8	Training TACO DEL MAR Restaurant or other Location
Taco Del Mar Restaurant Operations	3-8	10-15 (plus 8 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Restaurant Management Basics	10-15	5-10 (plus 10 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Marketing & Sales Channels	1-2	5-8 (plus 2 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Restaurant Technology	1-2	5-10	Training TACO DEL MAR Restaurant or other Location

Supply Chain	1-2	5-8	Training TACO DEL MAR Restaurant or other Location
Tools and Reports	1-3	5-10 (plus 5-10 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Operations, Sales, & Marketing Plan	1-3	1 (plus 5-10 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Written Exam	10	1-2	Training TACO DEL MAR Restaurant or other Location
Demonstration of Restaurant Management Capabilities	2-3	8-16	Training TACO DEL MAR Restaurant or other Location
Total	37-60	46-88 (plus 30-40 hours of homework)	

TRAINING PROGRAM: DESIGNATED MANAGER

(average completed between 15-20 days)

Subject	Approximate Classroom Hours of Self-paced Individual Learning	Approximate Hours of hands-on, on- the-job Training	Location
ServSafe Manager Certification	6-10	n/a	Third-party online or in-person facilitator with proctored exam
Taco Del Mar TableStakes & Brand Standards	1-2	6-8	Training TACO DEL MAR Restaurant or other Location
Taco Del Mar Restaurant Operations	3-8	25-35 (plus 8 hours of homework)	Training TACO DEL MAR Restaurant or other Location

Restaurant Management Basics	10-20	25-35 (plus 10 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Marketing & Sales Channels	1-2	3-5 (plus 3 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Tools and Reports	1-3	6-12 (plus 5-10 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Restaurant Operations & Marketing Plan	1-3	1 (plus 5-10 hours of homework)	Training TACO DEL MAR Restaurant or other Location
Written Exam	10	1-2	Training TACO DEL MAR Restaurant or other Location
Demonstration of Restaurant Management Capabilities	1-2	16	Training TACO DEL MAR Restaurant or other Location
Total	34-60	83-114	

Our Operations Manual, Taco Del Mar Learner’s Guide Training Workbooks, and Point-of-Sale Workbook, job aids, and required operational tools will be used as the principal instruction materials. There may be additional training required for each special product we periodically authorize (each a “**Special Product**”), which will not exceed 11 days. These topics are interwoven throughout the Initial Training Program and in-person on-the-job training, classroom, homework, and online coursework. Actual hours depend on location of training, class size, and complexity of material. In addition to in-person on-the-job training, you are required to complete the TACO DEL MAR online training and homework in conjunction with training at the Training TACO DEL MAR Restaurant, virtual classroom, or other location.

Laura Morocco supervises Taco Del Mar training programs delivered by designated Certified TACO DEL MAR-Training Mentors for Multi-Unit Owners/Developers and Designated Operating Partners, assistance from field leadership. Mrs. Morocco has more than 16 years of experience in professional development and training, and more than 14 years of experience in the restaurant industry. Certified TACO DEL MAR Training Mentors have a minimum of two years with the TACO DEL MAR system, and three years of franchise TACO DEL MAR restaurant experience. Other Parent employees and employees of the Training TACO DEL MAR Restaurant or other location (who concentrate in the areas they teach) will also participate in leading training.

ITEM 12 TERRITORY

You will not receive an exclusive or protected territory. You may face competition from other franchisees, from TACO DEL MAR Restaurants that we own or from other channels of distribution or competitive brands that we control. We and our affiliates may establish other franchised and company-owned units anywhere we want that compete with you, regardless of proximity to your TACO DEL MAR Restaurant. Under the Franchise Agreement, you must operate your TACO DEL MAR Restaurant at a specific location identified in the Franchise Agreement (“**Franchised Location**”). The minimum size for a territory is a 2-mile radius surrounding the Franchised Location.

If the Franchised Location has not yet been identified when we and you sign the Franchise Agreement (and any applicable addendum), you will look for an acceptable site after signing the Franchise Agreement. You will propose a location to us for authorization. If a site you propose is not authorized, you must propose a new site for our review. It is your responsibility to locate a site that meets our criteria. The site you propose may be a site you present to us, or a site that has been presented to you by us or our authorized representatives. Our affiliate may authorize or reject the proposed location according to the terms of the Franchise Agreement and then-current TACO DEL MAR site selection and authorization criteria and procedures. Our affiliate may use various criteria and procedures to evaluate a location you propose, which may change periodically. There are no restrictions on us in any area, either before or after you select and we authorize a location. You must locate a site and sign a Lease and open your TACO DEL MAR Restaurant within 12 months of signing the Franchise Agreement. If you do not find an authorized site and sign a Lease so that you can open your TACO DEL MAR Restaurant within 12 months after signing the Franchise Agreement, we may terminate the Franchise Agreement, unless we determine, in our sole discretion, that you are continuing to actively and diligently obtain a suitable location and/or Lease. If we determine at the end of 12 months that you are diligently working toward obtaining a suitable location and/or Lease so that you can reasonably be expected to open your TACO DEL MAR Restaurant within 18 months after signing the Franchise Agreement, we will not terminate the Franchise Agreement until the earlier of 18 months after signing the Franchise Agreement or such time as we determine, in our sole discretion, that you are no longer actively and diligently seeking to obtain a suitable location and/or Lease.

Once you select and propose a site that we authorize, and sign a lease pursuant to Section 4.2 of the Franchise Agreement, it will be the Franchised Location. While you are required to continuously operate the TACO DEL MAR Restaurant in accordance with the licensed methods and the Operations Manual, you are not required to achieve any minimum sales quota. You may not relocate the TACO DEL MAR Restaurant without our written consent, and we retain the right to authorize your proposed relocated site in the same manner, using the same criteria, and under the same terms that are applied to your first site selection.

We also follow the site selection process described here in connection with each additional outlet to be developed by you under the Multi-Unit Development Agreement.

You may advertise your TACO DEL MAR Restaurant and solicit customers from any area and serve all customers who enter your TACO DEL MAR Restaurant. We do not grant you any options or similar rights to acquire additional franchises in any area contiguous to your TACO DEL MAR Restaurant.

We and our affiliates retain the right under the Franchise Agreement: (1) to use, and to license others to use, the Marks and licensed methods to operate TACO DEL MAR Restaurants at any location other than your Franchised Location; (2) to use the Marks and licensed methods with services and products, in promotional and marketing efforts or with related items, or in alternative channels of distribution, without

regard to location; (3) to use and license the use of alternative proprietary marks or methods for the operation of restaurants or other businesses under names that are not the same as or confusingly similar to the Marks, which businesses may be the same as, or similar to, or different from TACO DEL MAR Restaurants; (4) to own and operate virtual TACO DEL MAR Restaurants (or virtual stores under other names or marks) on any virtual platform (including, without limitation, the metaverse) and (5) to engage in any other activities not expressly prohibited in the Franchise Agreement.

We have no obligation to compensate you if we exercise any of these rights.

As described in Item 1, our affiliate, QH, offers franchises for restaurants serving submarine and other sandwiches, salads, soups, soft drinks and related other products under the service mark “QUIZNOS” and “QUIZNOS SUB.” QUIZNOS Restaurants are both franchised and owned by QH or its affiliates. Operators of QUIZNOS Restaurants are not restricted from soliciting or accepting orders from customers of your TACO DEL MAR Restaurant. We are not obligated to resolve potential conflicts between our franchisees and operators of QUIZNOS Restaurants. QH’s principal business address is 4700 South Syracuse Street, Suite 225, Denver, Colorado 80237.

ITEM 13 TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use the Marks to operate your TACO DEL MAR Restaurant. All of the primary Marks are registered on the Principal Register of the United States Patent and Trademark Office (USPTO):

Mark	Registration Number	Registration Date	Intl. Class
TACO DEL MAR	5,791,644	7/2/2019	43
	1,954,511	2/6/1996	42
	3,375,300	1/29/2008	43
LIVE BAJA	6,763,440	June 21, 2022	43

We do not have federal registrations for the trademarks listed in the table below. Therefore, these trademarks do not have many legal benefits and rights as federally registered trademarks. If our right to

use one or more of these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses:

Mark	Application Number	Application Date	Intl. Class
	97/166407	12/10/2021	29, 30, 43

As described in Item 1, TDM IP Holder currently owns the Marks. TDM IP Holder filed all required affidavits of use. No registration is due to be renewed (although all important Marks will be renewed when required).

Under an IP License Agreement entered into between us and TDM IP Holder on October 1, 2019, TDM IP Holder licensed us the right to (a) use the Marks, (b) sublicense the Marks in granting new TACO DEL MAR Restaurant franchises to our franchisees in the United States and its territories, (c) sublicense the Marks to our existing TACO DEL MAR Restaurant franchisees in the United States and (d) sublicense the Marks to our affiliates for use in, among other things, manufacturing, distributing, buying, and reselling TACO DEL MAR-branded food and other products for TACO DEL MAR Restaurants in the United States and its territories. The IP License Agreement has a term of 99 years. Under the IP License Agreement, Parent agrees that termination or expiration of the agreement will not affect our then-existing Franchise Agreements with our franchisees or any renewal term and will only terminate our license with respect to new franchisees from the effective date of termination or expiration.

If we materially violate any of the terms of the IP License Agreement and do not cure that violation within 30 days after notice of the breach or if we cease to be an affiliate of TDM IP Holder, TDM IP Holder may terminate the IP License Agreement, potentially resulting in our loss of the right to use and sublicense the Marks. If TDM IP Holder elects not to prosecute an infringement, imitation, dilution, misappropriation or unauthorized use of the Marks which substantially affects our rights under the IP License Agreement, and we believe it is necessary to do so to protect our rights under the agreement, we have the right to institute any suit or take any action reasonably necessary to prosecute such claims.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, nor are there any pending infringement, opposition, or cancellation proceedings or material litigation, involving the Marks. Except as provided above, no agreements limit our right to use or sublicense the use of the Marks.

You must follow our and our affiliates' rules when you use the Marks. The Marks are the only Marks you may use to identify your TACO DEL MAR Restaurant. There might be additional requirements for use of the Marks if you participate in a Special Product program. You must identify yourself as the independent owner of the TACO DEL MAR Restaurant as we require. You may not use any Mark as part of any corporate or trade name; with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to you); as part of any domain name or electronic address you maintain on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery

system or in any user name, screen name or profile in connection with any social networking websites (including LinkedIn®, Twitter®, Instagram®, Facebook® or YouTube®), or on any metaverse platform except in accordance with our guidelines provided for in the Operations Manual or otherwise in writing periodically; to advertise unauthorized services or products; or in any other manner not expressly authorized in writing.

You must modify or discontinue your use of a Mark, at your own expense, if we so require. We and our affiliates need not reimburse you for your direct expenses of changing the TACO DEL MAR Restaurant's signs, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute mark.

You must immediately notify us of any apparent infringement or challenge to your use of any Mark and may not communicate with any person other than us and our affiliates, or our counsel, regarding this matter. You may not settle any claim without our and our affiliates' written consent. We and our affiliates may take the action we collectively deem appropriate and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising out of any infringement, challenge, or claim.

We and our affiliates are not contractually obligated to protect you against claims of infringement or unfair competition regarding your use of the Marks.

We and our affiliates do not currently know of any infringing uses or superior prior rights that could materially affect your use of the Marks.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents or pending patent applications that are material to the franchise. The TACO DEL MAR Operations Manual, recipes, and related materials are considered proprietary and confidential, to be used only as described in the Franchise Agreement. We and our affiliates claim copyrights in the Operations Manual, advertising and marketing materials, and similar items used in operating the franchise. We and our affiliates have not registered these copyrights with the United States Registrar of Copyrights but need not do so to protect them. You may use these items only as specified while operating your franchise (and must stop using them if so directed).

Under the IP License Agreement described in Item 13, TDM IP Holder has licensed to us the right to use certain confidential and proprietary materials and information (non-trademark TACO DEL MAR IP) and to sublicense them to our franchisees. Our right to use and sublicense non-trademark TACO DEL MAR IP comes from TDM IP Holder under the IP License Agreement. Under the IP License Agreement, TDM IP Holder agrees that termination or expiration of the agreement will not affect our then-existing Franchise Agreements with our franchisees or any renewal term and will only terminate our license with respect to new franchisees from the effective date of termination or expiration.

There currently are no effective determinations of the USPTO, the United States Copyright Office or any court regarding the copyrighted materials. Except for our current agreement with Parent, no agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses that could materially affect your using the copyrighted materials in any state. We and our affiliates need not protect or defend copyrights, although we intend to do so if in the System's best interests. We and our affiliates may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We and our affiliates need not participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright.

The Operations Manual and other materials contain TACO DEL MAR confidential information. This information includes site selection criteria; methods, formats, specifications, standards, systems, recipes, procedures, sales and marketing techniques, knowledge, and experience in developing and operating TACO DEL MAR Restaurants; marketing and advertising programs for TACO DEL MAR Restaurants; knowledge of specifications for and suppliers of certain equipment, products, materials, and supplies; and knowledge of the operating results and financial performance of TACO DEL MAR Restaurants other than your TACO DEL MAR Restaurant.

All ideas, concepts, techniques, or materials concerning a TACO DEL MAR Restaurant, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be TDM IP Holder's sole and exclusive property, part of the TACO DEL MAR System, and works made-for-hire for Parent. To the extent any item does not qualify as a "work made-for-hire" for TDM IP Holder, you assign ownership of and all related rights to that item to Parent and must sign whatever assignment or other documents Parent requests to show its ownership or to help Parent obtain intellectual property rights in the item.

You may not use confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Under the Franchise Agreement, you personally (or, if you are not an individual, your managing owner) or your Designated Manager, if applicable, must devote full time and best efforts to manage and operate your TACO DEL MAR Restaurant, and you (or your Designated Operating Partner) and your Designated Manager must successfully complete our Initial Training Program. We may require the Designated Operating Partner and your Designated Manager, if known, to demonstrate that they can perform basic math and read, write, and converse in the English language when you sign the Franchise Agreement. We may also require all other attendees to demonstrate that they can perform basic math and read, write, and converse in the English language before they begin the Initial Training Program. Although we recommend it, you (or your Designated Operating Partner) need not participate personally in the TACO DEL MAR Restaurant's on-site operation. In that case, however, your Designated Manager must manage the TACO DEL MAR Restaurant's daily operations on a full-time basis. (See Item 11) You must keep your TACO DEL MAR Restaurant open during the business hours we designate.

If you are a corporation, limited liability company, or partnership, we do not require your Designated Manager to have an equity interest in you. However, your Designated Manager and all of your officers, directors, partners, shareholders, and members (and, if you are an individual, your spouse) must agree to be bound by the nondisclosure provisions of the Franchise Agreement.

We require each of your owners with a 25% or more interest in you to sign the Guaranty and Assumption of Franchisee's Obligations (which is attached to the Franchise Agreement) personally assuming and agreeing to perform all obligations of the franchisee and to be bound by the terms of the Franchise Agreement. Also, because some state laws require a spousal signature in order to bind the assets of the marital estate, married owners residing in a state with a spousal signature requirement may have to have their spouse consent in writing to their signing of such guaranty and the binding of the assets of the marital estate under such guaranty.

We require each of your Bound Parties, Designated Managers, and all of your employees who have access to confidential information to execute a form of Nondisclosure and Noncompetition Agreement

acceptable to us. However, your employees whom you deem to qualify as nonexempt employees under the Fair Labor Standards Act (FLSA) are not required to sign any such agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell all of the products and provide all the services, and only those products and services, that we approve or specify for the TACO DEL MAR Restaurant. You may not offer for sale any products or offer any services that we have not approved. (See Items 8 and 9) We have the right to change the types of authorized products and services periodically. There are no limits on our right to do so. We may prescribe maximum prices that you may charge customers for products and services offered and sold by your TACO DEL MAR Restaurant.

You must subscribe to an online ordering website, which may or may not have associated usage fees, that allows customers to place online orders for pick up and/or delivery. In addition, we reserve the right to require you to provide delivery services from your TACO DEL MAR Restaurant, in which case you will be required to subscribe to a delivery website that allows customers to place online orders for delivery from your TACO DEL MAR Restaurant. If you operate a Convenience TACO DEL MAR Restaurant, you may be required to offer breakfast at your TACO DEL MAR Restaurant. If you operate any other type of TACO DEL MAR Restaurant other than as stated above and desire to offer breakfast at your TACO DEL MAR Restaurant, allow your customers to place online orders for pick-up or offer delivery services, you may do so but only with our prior consent and only in accordance with our standards and specifications. However, we may cease authorizing TACO DEL MAR Restaurants to offer these programs in the future.

We impose no other restrictions on goods or services you offer or the customers to whom you may sell.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Section 3.1 of the Franchise Agreement; Section 4.1 of the Multi-Unit Development Agreement	10 years or coterminous with the Lease, not to exceed 10 years.
b. Renewal or extension of the term	Section 3.2 of the Franchise Agreement;	Option to renew for additional 10-year term if you meet requirements or coterminous with the Lease.

Provision	Section in franchise or other agreement	Summary
c. Requirements for franchisee to renew or extend	Sections 3.3, 3.4 and 3.5 of the Franchise Agreement	You must execute our Successor Franchise Agreement, which may include materially different terms and conditions from those in the previous franchise agreement, such as a different Royalty and other fee amounts, and performance standards; you must pay a successor fee; execute a general release; you and your staff must complete any new training requirements; must make all capital expenditures necessary to remodel the Franchised Location to comply with then-current Operations Manual. Written notice at least 180 days before expiration of Franchise Agreement. If you do not sign a Successor Franchise Agreement, but continue to accept benefits after the expiration, the Agreement may be treated as expired as of the date of expiration or continued on a month-to-month basis until one party provides the other of written notice of an intent to terminate.
d. Termination by franchisee	Not applicable.	Not applicable.
e. Termination by franchisor without opportunity to cure	Section 18.1 of the Franchise Agreement; Section 5.1 and 5.3 of the Multi-Unit Development Agreement	Subject to immediate termination unless precluded by applicable law.
f. Termination by franchisor with opportunity to cure	Section 18.2 of the Franchise Agreement; Section 5.2 and 5.3 of the Multi-Unit Development Agreement	30 days or within any shorter period expressly set forth in the Franchise Agreement.
g. "Cause" defined – curable defaults	Section 18.2 of the Franchise Agreement; Section 5.2 and 5.3 of the Multi-Unit Development Agreement	Cancellation of required license, permit, or certification; 30 days to designate a qualified replacement Designated Manager; breach of term of Agreement or Operations Manual; circumvention of POS system; failure to comply with reporting requirements.
h. "Cause" defined – non-curable defaults	Section 18.1 of the Franchise Agreement; Section 5.1, 5.2 and 5.3 of the Multi-Unit Development Agreement	Unauthorized opening; unauthorized disclosure; fraud or conduct which adversely impairs the Marks or the system; abandonment; insolvency; assignments; unsatisfied judgments; levy; foreclosure; criminal conviction; failure to make payments; financial reporting; failure to complete training; failure to commence operation; misuse of Marks; repeated noncompliance; right to possession of property; unauthorized transfer; termination

Provision	Section in franchise or other agreement	Summary
		of other TACO DEL MAR franchise agreement under which you (or one of your owners with a 25% ownership interest in you) are the franchisee or a managing owner; loan default; unsafe or unsanitary conditions; violation of health/safety laws/regulations; material misrepresentation; failure to obtain financing for the TACO DEL MAR Restaurant within six months after the Effective Date; insurance.
i. Franchisee's obligations on termination/nonrenewal	Sections 19.1 of the Franchise Agreement; Section 5.4 of the Multi-Unit Development Agreement	Pay us all amounts owed; cease operating business and using confidential information and Marks; de-identify the Franchised Location; deliver to us signage and other property containing Marks; deliver to us the Operations Manual and all other proprietary material; cease operating or using any websites or other electronic mediums, including social networking websites, take any action that may be required to disable such websites or social networking website accounts, cancel all rights for such Social Media; cancel all name or equivalent registrations or assign to us at our discretion; notify the telephone company and all directory publishers.
j. Assignment of contract by franchisor	Section 4.3 and Exhibit D of the Franchise Agreement; Section 6.1 of the Multi-Unit Development Agreement	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 17.1 of the Franchise Agreement	Includes transfer of any interest in the Franchise Agreement, franchisee entity, TACO DEL MAR Restaurant, or its assets.
l. Franchisor approval of transfer by franchisee	Section 17.6 of the Franchise Agreement	Assignment of the Franchise Agreement by us to a third party who expressly assumes the obligations under the Franchise Agreement.

Provision	Section in franchise or other agreement	Summary
m. Conditions for franchisor approval of transfer	Section 17.2 of the Franchise Agreement	Full compliance required; all amounts due under Franchise Agreement (and other franchise agreements with us) must be paid in full; all reports and statements must be submitted; you have not breached any obligation under Franchise Agreement (and other franchise agreements with us) during 60-day period before you requested our consent to the transfer and the period between your request and the effective date of transfer; transferee signs our current form of franchise agreement (which may differ materially), passes an English competency and other required tests, and satisfactorily completes the Initial Training Program; you provide written notice to us at least 30-days prior to proposed effective date of transfer, provide information for us to evaluate terms and conditions of proposed transfer; transferee provides information for us to assess its business experience, aptitude, and financial qualifications; transferee and its owners and affiliates cannot have ownership interest or operate in competitive business; you and transferee must agree to renovate, refurbish, remodel, or replace TACO DEL MAR Restaurant property within specified timeframe to meet current image, operational, performance standards; landlord consents to assignment; if financing not in excess of maximum debt limits, excess portion cannot be secured by TACO DEL MAR Restaurant or its assets; you must execute a non-disparagement agreement and general release of claims against us, our affiliates, respective shareholders, officers, directors, employees, and agents; you agree to abide by post-termination covenants; must have our written consent to take over possession of the TACO DEL MAR Restaurant before completion of the transfer process; you must pay us a transfer fee.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 17.5 of the Franchise Agreement	For 30-day period, we have right of first refusal.
o. Franchisor's option to purchase franchisee's business	Section 17.5 of the Franchise Agreement	For 30-day period, we have right of first refusal and option to purchase business.

Provision	Section in franchise or other agreement	Summary
p. Death or disability of franchisee	Section 17.7 of the Franchise Agreement	Franchise must be assigned to approved third party within 120 days (or longer if required by probate proceedings); there must at all times be a Designated Manager at the TACO DEL MAR Restaurant.
q. Non-competition covenants during the term of the franchise	Sections 23.2 of the Franchise Agreement	No direct or indirect interest in a Competitive Business; may not perform services; may not divert or attempt to divert any business related to the TACO DEL MAR Restaurant. “Competitive Business” means any business operating, or granting franchises or licenses to others to operate, a restaurant or other food service business deriving more than ten percent (10%) of its gross receipts, excluding gross receipts relating to the sale of alcoholic beverages, from the sale of Mexican-style food items, including but not limited to tacos, nachos, burritos, and quesadillas (other than another TACO DEL MAR Restaurant operated by Franchisee). “Competitive Business” does not include full-service restaurants where customers are served by waitstaff and pay after eating.
r. Non-competition covenants after the franchise is terminated or expires	Section 23.3 of the Franchise Agreement	No interest in competitive business for two years at former Franchised Location or within five miles of former Franchised Location or any other TACO DEL MAR Restaurant.
s. Modification of the agreement	Section 27.3 of the Franchise Agreement	No modifications generally, but Operations Manual subject to change.
t. Integration/merger clause	Section 27.4 of the Franchise Agreement; Section 8.4 of the Multi-Unit Development Agreement	Only terms of Franchise Agreement and exhibits are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 24.1 of the Franchise Agreement; Section 7.1 of the Multi-Unit Development Agreement	We and you must arbitrate all disputes at a location within 50 miles of our current principal place of business (currently, Denver, Colorado) (subject to state law).
v. Choice of forum	Section 24.3 of the Franchise Agreement and Section 7 of the Multi-Unit Development Agreement	Denver, Colorado (subject to state law).

Provision	Section in franchise or other agreement	Summary
w. Choice of law	Section 24.2 of the Franchise Agreement; Section 7.2 of the Multi-Unit Development Agreement	Except for federal law, Colorado law applies (subject to applicable state law).

ITEM 18 PUBLIC FIGURES

We currently 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 TDMF Holdings, LLC, 4700 S. Syracuse St., Suite 225, Denver, Colorado 80237, Attn: Legal Department, (720) 359-3300, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

FRANCHISED TACO DEL MAR RESTAURANT
SYSTEMWIDE TACO DEL MAR RESTAURANT SUMMARY FOR
YEARS 2019 to 2021⁽¹⁾

Outlet Type	Year	TACO DEL MAR Restaurants at the Start of the Year	TACO DEL MAR Restaurants at the End of the Year	Net Change
Franchised	2019	75	64	-11
	2020	64	49	-15
	2021	49	48	-1
Company- Owned ⁽²⁾	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total Outlets	2019	75	64	-11
	2020	64	49	-15
	2021	49	48	-1

Notes

1. TACO DEL MAR Restaurants reflected in this Table No. 1 most of 2019 were offered and sold by Predecessor. We began offering franchises as of October 11, 2019.

TABLE NO. 2

FRANCHISED TACO DEL MAR RESTAURANT
TRANSFERS OF TACO DEL MAR RESTAURANTS FROM FRANCHISEES TO
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR YEARS 2019 to 2021⁽¹⁾

State	Year	Number of Transfers
Washington	2019	3
	2020	1
	2021	1
Total	2019	3
	2020	1
	2021	1

Notes

1. TACO DEL MAR Restaurants reflected in this Table No. 2 for most of 2019 were offered and sold by Predecessor. We began offering franchises as of October 11, 2019.

TABLE NO. 3

**FRANCHISED TACO DEL MAR RESTAURANT
STATUS OF FRANCHISED TACO DEL MAR RESTAURANTS
FOR YEARS 2019 to 2021⁽¹⁾**

State	Year	TACO DEL MAR Restaurants at Start of Year	TACO DEL MAR Restaurants Opened ¹	Terminations ²	Non-Renewals	Reacquired by Franchisor ³	Ceased Operations-Other Reasons ⁴	TACO DEL MAR Restaurants at End of Year
Florida	2019	4	0	0	0	0	2	2
	2020	2	0	0	0	0	2	0
	2021	0	0	0	0	0	0	0
Hawaii	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	2	1
	2021	1	0	0	0	0	0	1
Idaho	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	0	2
Louisiana	2019	4	0	0	0	0	3	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Montana	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	1	0	0	0	2
North Carolina	2019	2	0	0	0	0	1	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
North Dakota	2019	1	0	0	0	0	0	1
	2020	1	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Oklahoma	2019	1	0	0	0	0	1	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
Oregon	2019	10	0	0	0	0	2	8
	2020	8	0	1	0	0	1	7
	2021	7	0	0	0	0	0	7
Washington	2019	44	0	0	1	0	2	41
	2020	41	0	0	0	0	8	33
	2021	33	0	0	0	0	0	33
Totals	2019	75	0	0	1	0	3	64
	2020	64	0	0	0	0	15	49
	2021	49	0	1	0	0	0	48

Notes:

1. TACO DEL MAR Restaurants reflected in this Table No. 3 for most of 2019 were offered and sold by Predecessor. We began offering franchises as of October 11, 2019.

TABLE NO. 4

**STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2019 to 2021**

State	Year	TACO DEL MAR Restaurants at Start of Year	TACO DEL MAR Restaurants Opened	TACO DEL MAR Restaurants Reacquired from Franchisee	TACO DEL MAR Restaurants Closed	TACO DEL MAR Restaurants Sold to Franchisee	TACO DEL MAR Restaurants at End of Year
Colorado	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
Totals	2019	2	0	0	0	2	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

TABLE NO. 5

**PROJECTED OPENINGS
AS OF THE ISSUANCE DATE OF THIS FDD**

State	Franchise Agreements Signed But TACO DEL MAR Restaurant Not Opened	Projected New Franchised TACO DEL MAR Restaurants in the Next Fiscal Year	Projected New Company-Owned TACO DEL MAR Restaurants in the Next Fiscal Year
Arizona	0	0	0
California	0	0	0
Florida	0	0	5
New Mexico	0	0	1
Texas	0	0	0
Washington	0	0	0
TOTAL	0	0	6

Exhibit J is a list of the names of all franchisees and the addresses and telephone numbers of their TACO DEL MAR Restaurants as of December 27, 2021. **Exhibit J** also includes franchisees who signed a Franchise Agreement but had not yet opened a TACO DEL MAR Restaurant as of December 27, 2021. **Exhibit K** is a list of the names, cities and states and business telephone numbers (or, if unknown, the last known home telephone numbers) of every franchisee who had an outlet terminated, cancelled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement, during the period from January 1, 2019, through December 27, 2020, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **Exhibit K** also includes such franchisees who had not opened a TACO DEL MAR Restaurant. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, current and former franchisees have signed confidentiality clauses. In some instances, current and former franchisees have signed provisions restricting their ability

to speak openly about their experience with us. You may want to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations created, sponsored, or endorsed by us, and no independent franchisee organizations have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Exhibit D contains our parent's, REGO Restaurant Holdings II, LLC ("**Parent**"), audited financial statements covering the period from December 26, 2021, December 27, 2020, and December 29, 2019. Exhibit D also includes an executed copy of the Guarantee of Performance provided by Parent. Our fiscal year closes on the last Sunday of the calendar year, which was December 26, 2021. Also attached in Exhibit D are the unaudited Financial statements as of September 4, 2022.

ITEM 22 CONTRACTS

The following agreements are exhibits to this Disclosure Document:

- | | | |
|-----------|---|--|
| Exhibit B | - | Form of Franchise Agreement |
| Exhibit C | - | Form of Multi-Unit Development Agreement |
| Exhibit E | - | State Specific Addenda to Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement |
| Exhibit F | - | Franchisee Questionnaire and Acknowledgement |

ITEM 23 RECEIPTS

Our and your copies of the Disclosure Document Receipt are attached as **Exhibit M** of this Disclosure Document.



EXHIBIT A

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

EXHIBIT A
LIST OF STATE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	California Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 213-576-7505 1-866-275-2677	California Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 212-416-8222	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
NORTH CAROLINA	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Insurance, Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-3563	Director of the South Dakota Division of Insurance, Securities Regulation Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX: 801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8760	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address



EXHIBIT B

FORM OF FRANCHISE AGREEMENT



TDMF HOLDINGS, LLC
FRANCHISE AGREEMENT

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TDMF HOLDINGS, LLC FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made and entered into by and between TDMF HOLDINGS, LLC, a Delaware limited liability company with its principal business address at 4700 S. Syracuse St., Suite 225, Denver, Colorado 80237 (“**Franchisor**”), and the person(s) or entity listed as Franchisee on the signature block of this Agreement (“**Franchisee**”). This Agreement is made effective as of the date signed by Franchisor and set forth below Franchisor’s signature on this Agreement (“**Effective Date**”).

1. INTRODUCTION

1.1 Franchisor and its affiliates have developed a distinctive business system for establishing, operating, and franchising restaurants offering Mexican-style food items, including but not limited to tacos, nachos, burritos, quesadillas, salads, other food products and beverages, and related restaurant, delivery and carry out services (“**TACO DEL MAR Restaurants**”), which are associated with the Marks (as defined below), copyrights, distinctive interior and exterior building designs, décor, furnishings, menus, uniforms, signs, color combinations, uniformity requirements, standards of consistency and quality, procedures, cleanliness, sanitation, controls, specifications, training, marketing, advertising, techniques, and instructions promulgated by Franchisor (“**System**”), and has extensively publicized the name “TACO DEL MAR®” to the public as an organization of restaurant businesses operating under the System.

1.2 Franchisor has the right and authority to license the use of the name “TACO DEL MAR®” and the other trademarks, trade names, service marks, logos, commercial symbols, phrases, slogans and tag lines designated by Franchisor in writing which are owned by Franchisor’s parent and licensed to Franchisor (“**Marks**”) for use in connection with the System to selected persons, businesses or Entities that will comply with Franchisor’s uniformity requirements and quality standards.

1.3 Franchisee desires to develop, own and operate a TACO DEL MAR Restaurant (in conformity with the System and Franchisor’s uniformity requirements and quality standards as established and promulgated from time to time by the Franchisor. Franchisee understands and acknowledges the benefits to be derived from being identified and associated with Franchisor, and being able to utilize the TACO DEL MAR Restaurant system and concepts, and therefore desires to establish a TACO DEL MAR Restaurant at an authorized location.

Pursuant to this Introduction and in consideration of the mutual promises and covenants set forth in this Agreement, Franchisor and Franchisee agree and contract as follows:

2. GRANT OF FRANCHISE

2.1 **Grant of Franchise.** Franchisor hereby grants to Franchisee, and Franchisee accepts from Franchisor, the right to operate one (1) TACO DEL MAR Restaurant in conformity with the System using the name “TACO DEL MAR” and other specified Marks only at the specific address and location (“**Franchised Location**”) described in **Exhibit A** to this Agreement.

2.2 **Limitation on Franchise Rights.** The rights granted to Franchisee are for the specific Franchised Location and cannot be transferred to any other location, except with Franchisor's prior written consent. The Marks and System are licensed to Franchisee only for the Franchised Location.

2.3 **Undetermined Franchised Location.** If the Franchised Location has not yet been determined as of the Effective Date of this Agreement, then when the address of the Franchised Location is determined, the street address, city, state, and zip code for the Franchised Location will be inserted into **Exhibit A** to this Agreement via an amendment to this Agreement that Franchisor and Franchisee will execute. Franchisor will authorize or reject a proposed Franchised Location in accordance with the terms of this Agreement and Franchisor's then-current site selection and authorization criteria and procedures set forth in the Operations Manual. Franchisor may use a variety of criteria and procedures to evaluate a proposed Franchised Location submitted to Franchisor by Franchisee.

2.4 **Protected Area.** Franchisee will receive the "Protected Area" defined in **Exhibit A** to this Agreement.

2.5 **Franchisor's Reservation of Rights.** So long as Franchisee is not in default of this Agreement, Franchisor and its affiliates will not have the right to develop any TACO DEL MAR Restaurants that are physically located within Franchisee's Protected Area. Notwithstanding the foregoing, the Franchisor and its affiliates will have the absolute right to:

2.5.1. Operate, and license others to operate, a TACO DEL MAR Restaurant at any location outside of the Protected Area; and

2.5.2. Develop other restaurant business concepts under other trademarks, service marks, or trade names, so long as such concepts are not Competitive Businesses (as such term is defined below), even if the locations for such concepts are within the Protected Area; and

2.5.3. Develop TACO DEL MAR Restaurants and/or Competitive Businesses inside or outside the Protected Area if they are located within a host facility (such as a gas station, convenience store, interstate service plaza, theme or entertainment park, military facility, airport or other public transportation facility, stadium or arena, casino, college or university, or hotel), in another "non-traditional" venue, or at any other location where the operation of the TACO DEL MAR Restaurant will, because of its location, vary from the operation of a traditional TACO DEL MAR Restaurant, as solely determined by Franchisor; and

2.5.4. Market, offer, distribute, and sell, within and outside the Protected Area, on a wholesale or retail basis, any frozen, pre-packaged food products, merchandise, gift cards or other goods or services associated with the System (now or in the future) or identified by the Marks, or any other trademarks, service marks, or trade names, by direct sale, the Internet (or any other existing or future form of electronic commerce), mail order, infomercials, telemarketing or any other method of marketing or distribution, without compensation to Franchisee, even if such sales are made to customers, distributors, or retailers who are located within the Protected Area; and

2.5.5. Own, operate, manage, franchise and/or license other individuals or entities to own, manage and/or operate Competitive Businesses (defined below) inside the Protected Area if the Franchisor or an affiliate of Franchisor derived its ownership interests or other rights to such restaurants as part of an acquisition or purchase of a majority of the ownership interests in, or substantially all of the assets of, another entity; and

2.5.6. To own and operate virtual TACO DEL MAR Restaurants (or virtual stores under other names or marks) on any virtual platform (including, without limitation, the metaverse); and

2.5.7. Engage in any other activities not expressly prohibited in this Agreement.

“Competitive Business” means any business operating, or granting franchises or licenses to others to operate, a restaurant or other food service business deriving more than ten percent (10%) of its gross receipts, excluding gross receipts relating to the sale of alcoholic beverages, from the sale of Mexican-style food items, including but not limited to tacos, nachos, burritos, and quesadillas (other than another TACO DEL MAR Restaurant operated by Franchisee).

2.6 **Catering, Online Ordering, and Delivery Services.** Franchisee will not offer catering or delivery services from the Franchised Location within or outside of the Protected Area, except as specified in the Operations Manual (as defined in this Agreement) or otherwise approved by Franchisor in writing. In the event Franchisor requires or permits Franchisee to offer catering, online ordering, or delivery services from the Franchised Location, Franchisee must comply with Franchisor’s standards, policies, and requirements as set forth in the Operations Manual or otherwise in writing by Franchisor. Franchisor reserves the right to withdraw its permission for Franchisee to offer catering or delivery services from the Franchised Location on 30 days’ prior written notice.

3. TERM OF AGREEMENT

3.1 **Term.** The initial term (“**Initial Term**”) of this Agreement will commence on the Effective Date and will continue for a period of ten (10) years, unless sooner terminated pursuant to the terms of this Agreement; provided, however, that if the Lease for the Franchised Location is not effective until after the Effective Date, then the Initial Term of this Agreement will commence on the effective date of the Lease and will be coterminous with such Lease, not to exceed a period of ten (10) years, unless sooner terminated pursuant to the terms of this Agreement.

3.2 **Successor Term.** At the end of the Initial Term, Franchisee might, at its option, have the right to continue operating the TACO DEL MAR Restaurant at the Franchised Location for one additional term (“**Successor Term**”) commencing at the end of the Initial Term and extending for a period of ten (10) years so long as Franchisee, as solely determined by Franchisor: (a) exercises its option for a Successor Term by giving written notice of such exercise to Franchisor not less than 180 days and no more than one (1) year prior to the expiration of the Initial Term; (b) is not in default of this Agreement at the time it gives such written notice of its desire to exercise its option for a Successor Term; (c) has been in Compliance (defined below) with all provisions of this Agreement during the Initial Term, including the payment on a timely basis of all Royalties and other fees; and (d) meets all of Franchisor’s then-current criteria and requirements for

incoming franchisees. “**Compliance**” will mean, at a minimum, that Franchisee has not received written notification from Franchisor of a default more than four (4) times during the Initial Term.

3.3 **Conditions for a Successor Term.** In addition to meeting the requirements set forth in Section 3.2 above, Franchisee must meet all of the following conditions to obtain the right to any Successor Term:

3.3.1. Franchisee must execute Franchisor’s then-current form of franchise agreement (“**Successor Franchise Agreement**”), which might include terms and conditions that differ materially from those in this Agreement, such as a different Royalty amount and other fee amounts, and different performance standards; and

3.3.2. In lieu of paying the Initial Franchise Fee specified in the Successor Franchise Agreement, Franchisee must pay to Franchisor a successor fee (“**Successor Fee**”) in an amount equal to Five Thousand Dollars (\$5,000); and

3.3.3. Franchisee, together with its owners and guarantors, must execute a general release in a form and non-disparagement agreement satisfactory to Franchisor of any and all claims against Franchisor, Franchisor’s parent, and Franchisor’s affiliates, and their respective shareholders, officers, directors, attorneys, and employees; and

3.3.4. Franchisee and its staff must complete any new training requirements designated by Franchisor; and

3.3.5. Before the effective date of the Successor Franchise Agreement, Franchisee has made all capital expenditures necessary to remodel the Franchised Location, as determined by Franchisor, to comply with the then-current Operations Manual requirements.

3.4 **Exercise of Operation to Successor Term.** Franchisee must exercise its option for a Successor Term by giving Franchisor written notice of Franchisee’s election to do so at least one hundred eighty (180) days and no more than one (1) year prior to the expiration of the Initial Term (or immediately preceding Successor Term, as the case may be).

3.5 **Interim Period.** If Franchisee does not sign a Successor Franchise Agreement prior to the expiration of this Agreement and Franchisee continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the Franchisor’s option, this Agreement may be treated either as (i) expired as of the date of expiration with Franchisee then operating without a license to do so and in violation of Franchisor’s rights; or (ii) continued on a month-to-month basis (“**Interim Period**”) until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period and the provisions of Section 19 will apply. In the latter case, all of Franchisee’s obligations will remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement will be deemed to take effect upon termination of the Interim Period.

4. DEVELOPMENT OF FRANCHISED LOCATION

4.1 **Authorization of Franchised Location.** Franchisee may operate a TACO DEL MAR Restaurant only at a site authorized by Franchisor. Franchisee must follow Franchisor's site selection procedures in locating a Franchised Location for the TACO DEL MAR Restaurant as provided in this Agreement and the Operations Manual. Franchisee must submit a completed site submittal package, including demographics and other materials requested by Franchisor, containing all information reasonably required by Franchisor to assess a proposed Franchised Location. The Franchised Location site submittal package will be reviewed during the monthly Real Estate Selection Committee meeting and Franchisor will notify Franchisee of its final determination to authorize or reject any site which Franchisee proposes to Franchisor for the Franchised Location. Franchisor's determination may be based on various criteria and procedures which Franchisor may change from time to time and without notice to Franchisee. If Franchisee proposes a site for the Franchised Location, and Franchisor determines that it does not meet Franchisor's criteria, it will be rejected, and Franchisee may be required to propose an alternative site for the Franchised Location.

4.2 **Schedule.** Franchisee acknowledges and agrees that it has eight (8) to twelve (12) months from the Effective Date of this Agreement within which to execute a lease, sublease, or other document for the Franchised Location ("**Lease**"), complete the Initial Training Program described in Section 8.1 of this Agreement, and perform all other pre-opening obligations and commence operation of the TACO DEL MAR Restaurant. If Franchisee does not commence operation of the TACO DEL MAR Restaurant by the end of such twelve (12) month period, and Franchisor determines that Franchisee is actively and diligently working to obtain a site acceptable to Franchisor so that Franchisee can reasonably be expected to open the TACO DEL MAR Restaurant within eighteen (18) months from the Effective Date of this Agreement, Franchisor will extend the deadline to commence operation for another six (6) months so long as Franchisee continues to actively and diligently seek to obtain a suitable location and/or lease and otherwise pursue the opening of the TACO DEL MAR Restaurant. Franchisee acknowledges and agrees that, unless Franchisor extends the deadline, Franchisor may terminate this Agreement any time after the expiration of the first twelve (12) month period if Franchisee has not commenced operation of the TACO DEL MAR Restaurant. Franchisee further acknowledges and agrees that, if Franchisor extends the deadline and Franchisor determines that Franchisee fails to actively and diligently pursue the opening of the TACO DEL MAR Restaurant during such period, Franchisor may, upon notice, rescind the extension and terminate this Agreement, and Franchisee will lose the Initial Franchise Fee paid to Franchisor. Franchisor also has the right to terminate this Agreement upon the expiration of the eighteen (18) month period, in which case Franchisee will lose the Initial Franchise Fee paid to Franchisor.

4.3 **Lease Addendum.** Before Franchisee signs the Lease, Franchisor has the right, but not the obligation, to review and accept the terms of the Lease. Regardless as to whether or not Franchisor elects to review and accept the Lease, the Lease must contain certain terms and provisions required by Franchisor, including a collateral assignment of lease, pursuant to the form of lease addendum attached to this Agreement as **Exhibit D** ("**Lease Addendum**"). It is Franchisee's sole responsibility to obtain a fully executed Lease Addendum in connection with executing Franchisee's Lease. The Lease Addendum is intended to provide Franchisor certain protections under the Lease and may not benefit Franchisee or the landlord. If Franchisee or the

landlord requests that Franchisor consider any modifications to the Lease Addendum, and Franchisor elects to do so, Franchisor may also require Franchisee to reimburse Franchisor all expenses that Franchisor incurs (including attorneys' fees) in connection with such review. Franchisor may also reject any request for modifications to the Lease Addendum for any reason. Franchisee must deliver to Franchisor a signed copy of the Lease and Lease Addendum within fourteen (14) days after the execution of the Lease.

4.4 **Construction and Design.** The TACO DEL MAR Restaurant will be operated from a stand-alone pre-fabricated modular structure ("Cube"). It will be the Franchisee's responsibility to find a suitable site to accommodate the Cube and to retain the appropriate permits, utilities and professionals to prepare the site for the delivery and assembly of the Cube, as further described in the Operations Manual. Franchisee will be required to sign a Building Construction and Sale Agreement directly with the manufacturer of the Cube. Franchisee acknowledges that the layout, design, decoration, and color scheme of TACO DEL MAR Restaurants are an integral part of the System, and, accordingly, Franchisee agrees to design and construct the Franchised Location in accordance with Franchisor's plans, designs, and specifications as outlined in the Operations Manual. Franchisee also must obtain Franchisor's written consent of authorization to begin the construction of the Franchised Location, and any related costs, are Franchisee's sole responsibility. Franchisor's consent to Franchisee's plans will not constitute an affirmation by Franchisor that they conform to law or impose any liability on Franchisor.

4.5 **Conversion and Remodel.** Franchisee acknowledges that the layout, design, decoration, and color scheme of TACO DEL MAR Restaurants are an integral part of the System, and, accordingly, Franchisee agrees to convert and decorate the Franchised Location in accordance with Franchisor's plans, designs, and specifications as outlined in the Operations Manual. Franchisee also must obtain Franchisor's written consent to any conversion, design, or decoration of the Franchised Location before remodeling or decorating begins, recognizing that such remodeling and decoration, and any related costs, are Franchisee's sole responsibility. Franchisor's consent to Franchisee's plans will not constitute an affirmation by Franchisor that they conform to law or impose any liability on Franchisor. Franchisor requires, in its sole discretion, either a remodel or a refresh (as further set forth in the Operations Manual) every five (5) years, in the event of a transfer of the Franchisee's rights under this Agreement and/or upon renewal, if applicable, of this Agreement.

4.6 **Signs.** Franchisee will purchase or otherwise obtain for use at the Franchised Location and in connection with the TACO DEL MAR Restaurant the maximum number and size of signs allowed by applicable building codes, which signs must comply with Franchisor's standards and specifications. It is Franchisee's sole responsibility to ensure that all signs comply with applicable local ordinances, building codes, and zoning regulations. Any modifications to Franchisor's standards and specifications for signs due to local ordinances, codes, or regulations must be submitted to Franchisor for prior written approval. Franchisee acknowledges that the Marks, or any other name, symbol, or identifying marks on any signs, will be used only in accordance with Franchisor's standards and specifications and only with Franchisor's prior written approval.

4.7 **Equipment.** Franchisee will purchase or otherwise obtain for use in connection with the TACO DEL MAR Restaurant the equipment and computer hardware and software, of a

type and in an amount which complies with Franchisor's standards and specifications and only from suppliers or other sources approved and/or designated by Franchisor. Franchisor might approve one or more suppliers for certain items and/or may designate a single supplier for certain items, as set forth in the Operations Manual. Franchisor and/or its affiliates might be an approved or the designated supplier for certain items. Franchisee acknowledges and agrees that the type, quality, configuration, capability, and performance of the TACO DEL MAR Restaurant's equipment are all standards and specifications which are a part of the System. Franchisee will purchase or lease (as Franchisor and its affiliates designate) for use in the TACO DEL MAR Restaurant an electronic point-of-sale system and computer system, a music system, and a credit/debit and gift card processing system (collectively, the "**POS Systems**") approved by Franchisor. The point-of-sale and/or computer system must accurately record every sale or other transaction. Franchisee will purchase and/or license from Franchisor or an affiliate or a third party designated by Franchisor, as determined by Franchisor, the software to be used by Franchisee in conjunction with the POS Systems. If Franchisee obtains a license, Franchisee understands and agrees that it will not own such licensed software and that such licensed software may only be used in accordance with the provisions of the applicable license. Franchisee will also obtain high speed Internet service for use at the TACO DEL MAR Restaurant. Franchisee will submit any required reports in a format designated from time to time by Franchisor. Franchisee grants Franchisor and its affiliates the right to access the POS Systems and to obtain sales, sales mix, and revenue information directly by modem or otherwise at any time. Franchisee acknowledges that Franchisor and its affiliates will use information from required reports primarily to make business and marketing decisions. Franchisee will be obligated to upgrade or update the POS Systems and the software, and any other equipment or Internet or telephone connectivity, at Franchisee's sole cost, to meet Franchisor's and its affiliates' then-current standards and specifications and to address technological developments or events. Franchisor and its affiliates have no obligation to reimburse Franchisee for any of these costs.

4.8 **Permits and Licenses.** Franchisee agrees to obtain all permits and licenses required for the lawful construction, site improvements and operation of the TACO DEL MAR Restaurant together with all certifications from government authorities having jurisdiction over the Franchised Location that all requirements for construction, utilities and operation have been met, including, without limitation, zoning, access, sign, health, fire, and safety requirements; building and other required construction permits; licenses to do business; fictitious name registrations; sales tax permits; health and sanitation permits; and ratings and fire clearances. Franchisee agrees to obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating, and installation of equipment at the Franchised Location. Franchisee agrees to keep copies of all health department, fire department, building department, and other reports of inspections on file and available for inspection by Franchisor. Franchisee must immediately forward to Franchisor any such reports or inspections in which Franchisee has been found not to be in compliance with the underlying regulation.

4.9 **Commencement of Operations.** Franchisee must obtain the written consent of Franchisor prior to commencing operation of the TACO DEL MAR Restaurant, which consent will not be unreasonably withheld, but cannot be granted until Franchisor has accepted the Franchised Location and Franchisee has: (1) successfully completed the initial training program; (2) paid all fees and other amounts due to Franchisor and its affiliates; (3) furnished copies of all insurance policies required by this Agreement; (4) built out and equipped the Franchised Location

in accordance with Franchisor's and its affiliates' standards and specifications; (5) purchased an inventory of authorized products and supplies; (6) entered into required contracts with required service providers; (7) met minimum uniform requirements; and (8) otherwise completed all other aspects of developing the TACO DEL MAR Restaurant as Franchisor has reasonably required. Notwithstanding the foregoing, Franchisee agrees to commence operation of the TACO DEL MAR Restaurant on or before the deadline for commencement of operation set forth in Section 4.2 of this Agreement and within ten (10) days after Franchisor has authorized the Franchised Location for commencement of operation.

4.10 **Special Products.** From time to time, Franchisor may offer supplemental programs to be incorporated in certain TACO DEL MAR Restaurants ("**Special Products**"). Franchisee may not offer a Special Product except with Franchisor's prior written permission, in which case Franchisor and Franchisee will execute an amendment to this Agreement as specified by Franchisor.

4.11 **Online Ordering Platform.** Franchisor reserves the right to establish and/or facilitate a branded digital ordering and payment software platform ("**Online Ordering Platform**"). Franchisee hereby agrees to participate in such Online Ordering Platform at the TACO DEL MAR Restaurant. Accordingly, Franchisee agrees to comply with all requirements established by Franchisor in connection with the Online Ordering Platform as set forth in the Operations Manual. Franchisee acknowledges and agrees that Franchisor reserves the right to establish such an Online Ordering Platform, and has no obligation to do so. Franchisee further acknowledges and agrees that Franchisor also reserves the right to modify or discontinue any such Online Ordering Platform once it has been established.

5. INITIAL FRANCHISE FEE AND ONGOING FEES

5.1 **Initial Franchise Fee.** Upon execution of this Agreement, Franchisee agrees to pay to Franchisor an initial franchise fee ("**Initial Franchise Fee**") in the amount set forth in **Exhibit A** of this Agreement. Franchisee acknowledges and agrees that the Initial Franchise Fee represents payment for the initial grant of the right to use the Marks and System, and that Franchisor has earned the Initial Franchise Fee upon acceptance and execution of this Agreement by Franchisor. Franchisee acknowledges and agrees that the Initial Franchise Fee is not refundable under any circumstances.

5.2 **Royalties.** Franchisee will pay to Franchisor a weekly royalty ("**Royalty**") equal to six percent (6%) of the total amount of Franchisee's Gross Sales generated from or through the TACO DEL MAR Restaurant during the immediately preceding reporting period. "**Gross Sales**" means sales of any kind for all services or products from or through the TACO DEL MAR Restaurant (including catering, online ordering, and delivery, if authorized by Franchisor to offer such services), including any sale of services or products made for cash or upon credit, or partly for cash and partly for credit, regardless of collection of charges for which credit is given, and regardless of whether such sale is conducted in compliance with or in violation of the terms of this Agreement, or whether such sale is at the Franchised Location or off-site, but exclusive of discounts, sales taxes, or other similar taxes and credits. "Gross Sales" also includes (a) the fair market value of any services or products received by Franchisee in barter or exchange for its services and products and all insurance proceeds received by Franchisee for loss of business due

to a casualty to or similar event at the Franchised Location, (b) the gross amount of any Gift Card (as defined below) redemptions at the TACO DEL MAR Restaurant, and (c) the gross amount of any Gift Check (as defined below) redemptions at the TACO DEL MAR Restaurant.

5.3 **Marketing Fee.** Franchisee will pay to Franchisor or its designee (which may be one or more of Franchisor's affiliates) on a weekly basis, concurrently with the payment of the Royalties, a marketing and promotion fee ("**Marketing Fee**") equal to two percent (2%) of the total amount of Franchisee's Gross Sales generated from or through the TACO DEL MAR Restaurant during the immediately preceding reporting period. Franchisee acknowledges and agrees that Franchisor reserves the right to increase the amount of such Marketing Fee up to a maximum of four and one-half percent (4.5%) of the total amount of Franchisee's Gross Sales generated from or through the TACO DEL MAR Restaurant during the immediately preceding reporting period; provided, however, Franchisor may not increase such Marketing Fee by more than one-half percent (1/2%) in any given year (by way of example, Franchisor may only increase the Marketing Fee to two and one-half percent (2.5%) of Franchisee's Gross Sales after the first year of the Initial Term of this Agreement). Such Marketing Fee will be deposited into one (1) or more advertising and marketing funds (collectively referred to herein as the "**Marketing Fund**"), which will be administered and controlled exclusively by Franchisor in accordance with Section 13.4 of this Agreement.

5.4 **POS Systems Fee.** Franchisee will pay to Franchisor or its designee (which may be one or more of Franchisor's affiliates) on a monthly basis a fee ("**POS Systems Fee**") for point-of-sale equipment designated by Franchisor in accordance with Section 4.6 of this Agreement and the Operations Manual. Franchisee acknowledges that the POS Systems Fee may increase or decrease from time to time depending on such POS Systems provider, as set forth in the Operations Manual.

5.5 **Music Fee.** Franchisee will pay to Franchisor or its designee (which may be one or more of Franchisor's affiliates) on a monthly basis a fee ("**Music Fee**") relating to a music provider in accordance with the Operations Manual. Franchisee acknowledges that the Music Fee may increase or decrease from time to time depending on such music provider, as set forth in the Operations Manual.

5.6 **Management Fee.** If Franchisor (or a third party designated by Franchisor ("**Designee**") assumes management of the TACO DEL MAR Restaurant in accordance with Section 18.4, Franchisor will pay to Franchisor, in addition to the Royalty, Marketing Fee, and other fees required by this Agreement, a management fee equal to three percent (3%) of the total amount of Franchisee's Gross Sales generated from or through the TACO DEL MAR Restaurant during such time Franchisor or Designee manages the TACO DEL MAR Restaurant ("**Management Period**"), plus all direct out-of-pocket costs and expenses incurred by Franchisor or Designee during such Management Period (collectively, the "**Management Fee**").

5.7 **Local Advertising.** Franchisee will spend, on a monthly basis, an amount equal to at least one percent (1%) of its Gross Sales during each month of the term of this Agreement for Local Advertising (as such term is defined below) in accordance with Section 13.6 and 13.7 of this Agreement.

6. PAYMENT OF FEES

6.1 **Payments.** Royalty and Marketing Fee payments will be paid weekly by electronic funds transfer, due on Thursday (for the preceding Monday through Sunday period) or such other specific day of the week which Franchisor designates from time to time (“**Due Date**”). On the Due Date each week, Franchisee must report by telephone, electronic means, or in written form, as Franchisor directs (as more fully described in Section 16), Franchisee’s Gross Sales and such additional information requested by Franchisor. Franchisor will have the right to verify such Gross Sales reports from time to time as it deems necessary in any reasonable manner. If Franchisee fails to have sufficient funds in its account or otherwise fails to pay any Royalty and Marketing Fee due as of the Due Date, Franchisee will owe, in addition to such Royalty and Marketing Fee, a late charge equivalent to two percent (2%) per month of any late payment; provided, however, in no event will Franchisee be required to pay a late payment at a rate greater than the maximum commercial contract interest rate permitted by applicable law.

6.2 **Electronic Funds Transfer.** Franchisee authorizes Franchisor and its affiliates to initiate debit entries and credit correction entries to Franchisee’s checking, savings or other account for the payment of Royalties, Marketing Fees, Local Advertising Fees, and any other amounts due from Franchisee under this Agreement or otherwise. Franchisee must comply with Franchisor’s and its affiliates’ procedures and instructions in connection with the direct debit process, and must sign any document or take any action that may be required to effect this authorization. Franchisor may require Franchisee to pay the Royalty, Marketing Fees, and other amounts due under this Agreement or otherwise by means other than automatic debit whenever Franchisor deems appropriate, and Franchisee agrees to comply with Franchisor’s payment instructions.

6.3 **Application of Payments.** Notwithstanding any designation Franchisee might make, Franchisor may apply any payments made by Franchisee to any of Franchisee’s past due indebtedness to Franchisor or its affiliates. Franchisee acknowledges that Franchisor has the right to set-off any amounts Franchisee owes Franchisor or any of its affiliates against any amounts Franchisor or any of its affiliates might owe Franchisee (or any other legal entity in which Franchisee, or one of its owners with at least a twenty-five percent (25%) ownership interest in Franchisee, is an owner).

7. DESIGNATED OPERATING PARTNER AND DESIGNATED MANAGER

7.1 **Designated Operating Partner.** In accordance with the Operations Manual, Franchisee must designate a managing owner (“**Designated Operating Partner**”), as set forth in Exhibit A, who will be responsible for overseeing the day-to-day operations of Franchisee.

7.2 **Designated Manager.** Franchisee must designate a person to assume primary responsibility for managing the TACO DEL MAR Restaurant (“**Designated Manager**”).

7.3 **Basic Requirements.** The Designated Operating Partner and the Designated Manager (if designated at the time) may be required to demonstrate that they can perform basic math and read, write and converse in the English language before they begin training.

8. TRAINING

8.1 **Initial Training Program.** Franchisee or, if Franchisee is a corporation, partnership, or limited liability company, its Designated Operating Partner and the Designated Manager must attend and successfully complete the then-current initial training program (“**Initial Training Program**”) offered by Franchisor through paper-based and digital tools, e-learning platforms, virtual and traditional classrooms and in-person training at one or more of Franchisor’s designated training facilities. Franchisee acknowledges and agrees that Franchisee will be responsible for any and all travel and living expenses incurred in connection with attending the Initial Training Program as well as wages or salaries, if any, and educational technology costs associated with the person(s) receiving training or undergoing testing. Franchisee (or its Designated Operating Partner) and the Designated Manager must successfully complete the initial training program, as solely determined by Franchisor, before Franchisee begins operating the TACO DEL MAR Restaurant. Franchisor reserves the right to waive or alter all or any portion of the Initial Training Program.

8.2 **Additional Training Requested by Franchisee.** In the event Franchisee (or its Designated Operating Partner), and its Designated Manager request additional training during the Initial Training Program, Franchisor will provide such additional training to Franchisee (or its Designated Operating Partner) and the Designated Manager so long as Franchisee pays to Franchisor an amount equal to Franchisor’s then current per diem charge for such training, which includes a fee for educational technology utilized during the training that includes a fee for educational technology utilized during the training. However, if Franchisee (or its Designated Operating Partner) and the Designated Manager satisfactorily complete Franchisor’s Initial Training Program, and do not inform Franchisor in writing at the end of the Initial Training Program that Franchisee (or its Designated Operating Partner) and the Designated Manager do not feel completely trained in the operation of a TACO DEL MAR Restaurant, then Franchisee will be deemed to have been trained sufficiently to operate a TACO DEL MAR Restaurant.

8.3 **Additional Training Required by Franchisor.** Franchisee (or its Designated Operating Partner), its Designated Manager, and other employees of Franchisee might be required by Franchisor to attend, at Franchisee’s expense, additional training, if Franchisee’s TACO DEL MAR Restaurant does not meet certain performance standards established by Franchisor or, if Franchisor solely determines that additional training is necessary or required. Additionally, Franchisor reserves the right to conduct (and to authorize third parties to conduct) training programs or seminars at locations to be determined by Franchisor to discuss relevant business trends and share new information relating to the restaurant business. Attendance at periodic market meetings by Franchisee (or its Designated Operating Partner) and its Designated Manager is required. All such mandatory training will be offered without tuition or a fee; provided, however, Franchisee will be responsible for any and all travel and living expenses incurred in connection with attending such training as well as wages or salaries, if any, of the person(s) receiving training.

8.4 **Release and Indemnification.** Franchisee and its owners waive any right to sue for damages or other relief, and release all known and unknown claims it or they may allegedly have against Franchisor and/or any of its affiliates and their respective employees, agents, officers, and directors, arising out of the adequacy or accuracy of the information provided at or any activities occurring during any training program, additional training and/or opening assistance

(collectively referred to as “**Training**”), or any harm or injury any attendee or participant suffers during and as a result of his/her attendance at or participation in the Training. Franchisee and its owners agree to hold the Franchisor, its affiliates and their employees, agents, officers and directors harmless for any claims or damages incurred by Franchisee, its owners, or any of their affiliates, employees, agents, officers and directors arising out of, in any way connected with or as a result of attendance at or participation in the Training. Franchisee, its owners, and any other persons who attend and participate in the Training on behalf of Franchisee will sign the documentation required by the Franchisor or an affiliate of Franchisor as a condition to their attendance at, participation in and successful completion of the Training.

9. OPERATIONS MANUAL

9.1 **Operations Manual.** Franchisor will provide Franchisee with access to books, pamphlets, training videos, discs, software, bulletins, newsletters, memoranda, letters, notices or other publications or documents prepared by or on behalf of Franchisor, whether in printed or electronic format, for use by TACO DEL MAR franchisees, setting forth information, advice, standards, requirements, operating procedures, instructions or policies relating to the operations of the TACO DEL MAR System (collectively the “**Operations Manual**”) electronically, including on a secure Internet webpage or by another method reasonably adopted by the Franchisor. Franchisee agrees that it will at all times comply with the terms of the Operations Manual, as amended from time to time, and that such terms are an essential part of Franchisee’s obligations under this Agreement. Franchisee will not use the Operations Manual or any information contained therein for any purpose other than the operation of Franchisee’s TACO DEL MAR Restaurant. The Operations Manual will at all times remain the sole and exclusive property of Franchisor. Any password or other digital identification necessary to access the Operations Manual on any intranet or extranet website will be deemed to be Franchisor’s proprietary information, subject to Section 10.1 below.

9.2 **Updates to Operations Manual.** Franchisor may, from time to time, update and revise the Operations Manual to address changes or improvements to the System, and Franchisee expressly agrees to operate its TACO DEL MAR Restaurant in accordance with all such revisions and updates. Franchisee will at all times keep its copy of the Operations Manual updated and current, and in the event of any dispute regarding the Operations Manual, the terms of the master copy of the Operations Manual maintained by Franchisor will be controlling in all respects. Franchisor will have the option of providing the updates and revisions to the Operations Manual to Franchisee electronically.

10. CONFIDENTIAL INFORMATION

10.1 **Confidential Information.** Franchisor and Franchisee expressly understand and agree that Franchisor will be disclosing and providing Franchisee and its employees and agents with “**Confidential Information**,” which will mean and include all of the business, operations, marketing, materials and data bases, technology, operational, and proprietary information developed, created, owned, or licensed by Franchisor which are developed and utilized in connection with the operation of the TACO DEL MAR Restaurant, the Operations Manual, and the System. Franchisee agrees that all such Confidential Information is and will remain the sole and absolute property of Franchisor and its affiliates, and Franchisee will have no rights or interests

in any Confidential Information, except the right to use the Confidential Information in the operations of the TACO DEL MAR Restaurant as provided in this Agreement. Any additions, changes, modifications and/or improvements made to any of the Franchisor's Confidential Information by Franchisee or its employees and agents will be the sole and exclusive property of the Franchisor. Franchisee will only disclose or provide the Franchisor's Confidential Information to its employees who must have access to it to properly execute their job functions and to operate Franchisee's TACO DEL MAR Restaurant. Franchisee, its existing and future owners, and its employees and agents will not, during the term of this Agreement or thereafter, reveal, communicate, sell, use, employ, copy, reverse engineer, lecture upon, rewrite, reproduce, disseminate, publish, disclose, or divulge any Confidential Information of Franchisor, or any abstracts thereof, to any person except as expressly authorized by this Agreement or by Franchisor in writing. Franchisee acknowledges that the Marks and the System have valuable goodwill attached to them, that their protection and maintenance are essential to Franchisor and its affiliates, and that any unauthorized use or disclosure of the Marks or System will result in irreparable harm to Franchisor and its affiliates.

10.2 **Confidentiality of Operations Manual.** Franchisee will treat the Operations Manual and any other manuals created for or approved for use in the operation of Franchisee's TACO DEL MAR Restaurant as Confidential Information. Franchisee will use all reasonable means to keep the contents of the Operations Manual secret.

10.3 **Trade Secrets.** Franchisee hereby acknowledges that one or more of Franchisor's affiliates own and control trade secrets that include, but are not limited to, some or all of the Confidential Information and the System. In such cases, Franchisee acknowledges that Franchisor and its affiliates have valuable rights in and to such trade secrets that have been licensed to Franchisor. Franchisee further acknowledges that it has not acquired any right, title, or interest in the Confidential Information and System, except for the right to use such Confidential Information and System in operating the TACO DEL MAR Restaurant.

10.4 **Improvements.** All ideas, concepts, techniques, or materials concerning a TACO DEL MAR Restaurant, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed Franchisor's and its affiliates' sole and exclusive property, part of the TACO DEL MAR system, and works made-for-hire for Franchisor and its affiliates. To the extent any item does not qualify as a "work made-for-hire" for Franchisor and its affiliates, Franchisee assigns ownership of that item, and all related rights to that item, to Franchisor and its affiliates and must sign whatever assignment or other documents Franchisor and its affiliates request to show ownership or to help Franchisor and its affiliates obtain intellectual property rights in the item.

10.5 **Confidentiality Agreement.** Franchisee must cause each of its Bound Parties, Designated Managers (and, if applicable, the spouse of a Designated Manager), and all of Franchisee's employees who have access to Confidential Information to execute a form of Nondisclosure and Noncompetition Agreement acceptable to Franchisor agreeing (i) to maintain the confidentiality, during the course of their employment and thereafter, of all Confidential Information of Franchisor and (ii) not to participate in the ownership, management, control, or operation of a Competitive Restaurant ("**Nondisclosure and Noncompetition Agreement**"); provided, however, employees of Franchisee whom Franchisee deems qualify as nonexempt under

the Fair Labor Standards Act (FLSA) (“**Nonexempt Employees**”) are not required to sign any such agreement. Franchisee will be responsible for (i) obtaining Franchisee’s own professional advice with respect to the adequacy of the terms of provisions of any such Nondisclosure and Noncompetition Agreement; (ii) insuring that each person required to execute a Nondisclosure and Noncompetition Agreement does so; (iii) enforcing such confidentiality and noncompetition agreements, and (iv) paying for the legal fees, costs, and expenses associated with such enforcement. Franchisor reserves the right to be a third-party beneficiary of or a party to such Nondisclosure and Noncompetition Agreement with independent enforcement rights.

10.6 **Ownership of Business Records.** Franchisee acknowledges and agrees that the Franchisor will at all times have unrestricted access to all business records (“**Business Records**”) with respect to customers, and other service professionals of, and/or related to, the TACO DEL MAR Restaurant including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, communications, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee are the sole property of Franchisor. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor’s sole discretion.

11. FRANCHISOR ASSISTANCE

11.1 **Franchisor’s Development Assistance.** To assist Franchisee in establishing the TACO DEL MAR Restaurant, Franchisor and/or its designated representatives (which may include its affiliates) will provide Franchisee with the following:

11.1.1. Assistance related to authorizing a site for the TACO DEL MAR Restaurant, which includes providing general criteria for a satisfactory site, determining whether a proposed site fulfills the requisite criteria prior to formal authorization of a site selected by Franchisee, and (at Franchisor’s election) designating a real estate broker whom Franchisee must use to contact the landlord of a proposed site. Franchisee acknowledges that Franchisor has no obligation to select or acquire a site on behalf of Franchisee. Site selection, acquisition, and development will be the sole obligation of Franchisee, except as set forth in this Agreement or any other written agreement executed by Franchisor. Franchisee acknowledges that Franchisor is under no obligation to provide additional site selection services other than as set forth in a written, executed agreement and that Franchisor’s authorization of the site does not imply or guarantee the success or profitability of the site in any manner whatsoever.

11.1.2. Guidance on procuring a Cube from our required vendor, or if a traditional restaurant, provide standards and specifications for the build out, interior design, layout, floor plan, signs, designs, color, and decor of the TACO DEL MAR Restaurant.

11.1.3. Advice regarding the standards and specifications for the equipment, supplies, and materials used in, and the menu items offered for sale by, the TACO DEL MAR Restaurant and advice regarding selecting suppliers for and purchasing such items.

11.1.4. Guidance in implementing advertising and marketing programs, operating and sales procedures, and bookkeeping and accounting programs.

11.1.5. Initial Training Program.

11.1.6. Assistance in opening the TACO DEL MAR Restaurant in accordance with Franchisor's then-current program for providing opening assistance; provided, however, that Franchisee will hire and be exclusively responsible for the recruiting, hiring, training, compensation, work hours and schedules, work assignments, safety and security, discipline, supervision, and control of Franchisee's employees.

11.1.7. Access to the Operations Manual during the term of this Agreement.

11.2 **Franchisor's Operating Assistance.** Franchisor agrees that, during Franchisee's operation of the Restaurant, Franchisor and/or its designated representatives (which may include its affiliates) will provide Franchisee with the following assistance:

11.2.1. Upon the reasonable request of Franchisee, telephone consultation regarding the continued operation and management of a TACO DEL MAR Restaurant and advice regarding TACO DEL MAR Restaurant services, product quality control, menu items, and customer relations issues.

11.2.2. Access to advertising and promotional materials developed by Franchisor and its affiliates through the Marketing Fund (as defined below).

11.2.3. Ongoing updates of information and programs regarding menu items and their preparation, the TACO DEL MAR Restaurant business, and System standards, including information about special or new services or products developed and made available to franchisees of Franchisor.

11.2.4. The Initial Training Program for replacement or additional Designated Operating Partners or additional Designated Managers during the term of this Agreement. Although Franchisor does not currently charge a tuition or fee, Franchisor reserves the right to charge a tuition or fee, payable in advance, commensurate with the then-current published prices of Franchisor for such training. Franchisee will be responsible for all travel and living expenses, wages, and salaries incurred by its personnel during such Initial Training Program.

12. FRANCHISEE'S OPERATIONAL COVENANTS

12.1 **Business Operations.** Franchisee acknowledges that it is solely responsible for the successful operation of its TACO DEL MAR Restaurant and that its continued operation depends on, among other things, Franchisee's compliance with this Agreement and the mandatory obligations contained in the Operations Manual.

12.2 **Quality:** Franchisee will maintain a clean, safe, and high-quality TACO DEL MAR Restaurant operation and promote and operate the business in accordance with the Operations Manual and otherwise conduct itself so as not to detract from or adversely reflect upon

the name and reputation of Franchisor and the goodwill associated with the TACO DEL MAR name and Marks.

12.3 **Compliance:** Franchisee will conduct itself and operate its TACO DEL MAR Restaurant in compliance with all applicable laws (including federal and state privacy laws), by-laws, regulations, and other ordinances and in such a manner so as to promote a good public image in the business community and to enhance the goodwill of TACO DEL MAR Restaurants, TACO DEL MAR name, and the Marks. Franchisee will be solely and fully responsible for obtaining any and all licenses to operate the TACO DEL MAR Restaurant. Franchisee must keep copies of all health department, fire department, building department, and other similar reports of inspections on file and available for inspection by Franchisor and its affiliates. Franchisee must immediately forward to Franchisor and/or its designated representatives (which may include its affiliates) any such reports or inspections in which Franchisee has been found not to be in compliance with the underlying regulation.

12.4 **Proper Management.** Franchisee acknowledges that proper management of the TACO DEL MAR Restaurant is important and will ensure that Franchisee (or its Designated Managing Partner) or a Designated Manager who has completed the Initial Training Program will be responsible for managing the TACO DEL MAR Restaurant after commencement of operations and be present at the Franchised Location during its operation. Franchisee (or its Designated Managing Partner) or the Designated Manager must work full-time at the TACO DEL MAR Restaurant.

12.5 **Responsibility for All Decisions.** Franchisee hereby acknowledges that Franchisee is solely responsible for all decisions relating to employees, agents, and independent contractors who Franchisee may hire to assist in the operation of the TACO DEL MAR Restaurant. Franchisee agrees that any employee, agent, or independent contractor that Franchisee hires will be Franchisee's employee, agent, or independent contractor, and not Franchisor's employee, agent, or independent contractor. Franchisee also agrees that Franchisee is exclusively responsible for the terms and conditions of employment of Franchisee's employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, supervision, and obtaining workers' compensation insurance as required by applicable law. Franchisee agrees to manage the employment functions of the TACO DEL MAR Restaurant in compliance with federal, state, and local employment laws.

12.6 **Authorized Products and Services; Pricing.** Franchisee acknowledges that the franchise requires and authorizes Franchisee to offer only authorized products and services as described in the Operations Manual, which may include, without limitation, Mexican-style food items, including but not limited to tacos, nachos, burritos, quesadillas, salads, other authorized food and beverage products, and related restaurant and carry out or delivery services, and an online ordering platform. Separate certification or approval may be required from time to time in order to be authorized to offer certain products or services. Franchisee must maintain at all times a sufficient supply of all menu items and related food and paper products to ensure, insofar as possible, that such items are at all times available to its customers. Franchisee must offer all types of services and products from time to time prescribed by Franchisor and will not offer any other types of services or products, or operate or engage in any other type of business or profession, from or through the Restaurant, unless Franchisor's written consent is first obtained. Franchisee

must participate in promotions designated by Franchisor. Participation in such promotions may include offering designated products during the promotional period and accepting coupons issued by Franchisor or its affiliates. Franchisor may prescribe the maximum and/or minimum prices that Franchisee may charge customers for products and services offered and sold by the TACO DEL MAR Restaurant, and, subject to applicable antitrust laws, Franchisee agrees to comply with these maximum or minimum prices, unless Franchisee determines that, by doing so, Franchisee would violate state law.

12.7 **Prompt Payment.** Franchisee must promptly pay when due all taxes and other obligations owed to third parties, including, without limitation, all federal, state, and local taxes and any and all accounts payable or other indebtedness incurred by Franchisee in operating the TACO DEL MAR Restaurant.

12.8 **Compliance with Agreements.** Franchisee must comply with all agreements with third parties related to the TACO DEL MAR Restaurant, including, in particular, all provisions of any premises lease or sublease and the payment of all third party obligations.

12.9 **Renovations.** Franchisee agrees to renovate, refurbish, remodel, or replace, at its own expense, the real and personal property and equipment used in operating the TACO DEL MAR Restaurant when reasonably required by Franchisor in order to comply with the image, standards of operation, and performance capability established by Franchisor from time to time. If Franchisor changes its image or standards of operation, it will give Franchisee a reasonable period of time within which to comply with such changes.

12.10 **Management and Control by Franchisee.** Franchisee must at all times during the term of this Agreement manage and control the TACO DEL MAR Restaurant. Upon request of Franchisor, Franchisee must promptly provide satisfactory proof of such ownership to Franchisor. Franchisee represents that the Statement of Ownership as provided in Exhibit B, attached hereto, is true, complete, accurate, and not misleading. Franchisee must promptly provide Franchisor with a written notification if it wishes to change any of the information contained in the Statement of Ownership at any time during the term of this Agreement and must comply with the applicable transfer provisions contained in Section 17.

12.11 **Business Hours.** Franchisee must at all times during the term of this Agreement keep its TACO DEL MAR Restaurant open during the business hours as set forth in the Operations Manual. Any deviations from such required hours first must be approved in writing by Franchisor, which approval may be revoked or rescinded by Franchisor at any time on notice.

12.12 **Insurance Policies.** Franchisee must, at its expense, procure and maintain in full force and effect insurance policies in such amounts and on such terms, as prescribed by Franchisor in the Operations Manual, by an insurance company which is acceptable to and approved by the Franchisor at all times during the term of this Agreement, licensed in the state where coverage is provided, and carries an A.M. Best rating of at least A-VII. Franchisee must obtain all such policies before opening the TACO DEL MAR Restaurant, and the policies must provide coverage against claims of any person, employee, customer, agent or otherwise in an amount per occurrence of not less than such amount set forth in the Operations Manuals and adjusted by Franchisor periodically in Franchisor's sole determination. All such policies must insure Franchisor and its affiliates, and their respective officers, stockholders, directors, and all other parties designated by

Franchisor, as additional named insureds against any liability that may accrue against them by reason of the ownership, maintenance, or operation by Franchisee of the TACO DEL MAR Restaurant, with the same coverages as provided to Franchisee without limitation thereof, using a form of endorsement that Franchisor has approved; not to be considered excess to any of Franchisor's and any affiliates of Franchisor's policies; and provide for thirty (30) days' advance written notice to Franchisor of their cancellation or modification. Franchisee acknowledges that, by establishing required minimum insurance, Franchisor is not advising Franchisee that such minimum insurance is sufficient or all that Franchisee needs or should procure for its business or the TACO DEL MAR Restaurant. Such required minimum insurance requirements represent only the minimum coverage that Franchisor deems acceptable to protect Franchisor's interests. Franchisee agrees to seek the advice of its insurance advisor with respect to the sufficiency of such insurance. Franchisor is not responsible if Franchisee sustains losses that exceed Franchisee's insurance coverage. No insurance coverage that Franchisee or any other party maintains will be deemed a substitute for Franchisee's indemnification obligations to Franchisor or the other Indemnified Parties under Section 22.1 or otherwise.

12.13 **Proof of Insurance.** Franchisee will provide proof of insurance to Franchisor, including certificates of insurance, complete copies of insurance policies, and evidence the policies' premiums have been paid, before opening the TACO DEL MAR Restaurant. Such proof of insurance will show that the insurer has been authorized to inform Franchisor in the event any policies lapse or are canceled or modified. Franchisor has the right to change the insurance Franchisee is required to maintain by giving Franchisee reasonable prior notice. Noncompliance with these insurance provisions will be deemed a material breach of this Agreement. If Franchisee fails to provide proof of insurance or in the event of any lapse in insurance coverage, in addition to all other remedies, Franchisor has the right to demand that Franchisee cease operations of the TACO DEL MAR Restaurant until coverage is reinstated.

12.14 **Promotions.** Franchisee will participate in promotion campaigns and advertising and other marketing programs periodically established or approved for TACO DEL MAR Restaurants by the Marketing Fund, as described in Section 13.4 below, whether on a national, regional or local basis.

12.15 **Gift Cards; Gift Checks.**

12.15.1. Franchisee will participate in all gift card, loyalty card, promotional card, award card, or other similar prepaid card, code, or other device (each a "**Gift Card**") program periodically established or approved for TACO DEL MAR Restaurants by Franchisor (each a "**Gift Card Program**"), and Franchisee will not create or issue any Gift Cards on its own. Franchisee acknowledges and agrees that Franchisor may charge Franchisee a 3% of Gross Sales from gift card purchase fee in connection with Franchisee's participation in such Gift Card Programs, which may include, without limitation, the cost of any third party vendor commissions or fees incurred by Franchisor in connection with such Gift Card Programs. Franchisee agrees to timely execute and deliver such documents, contracts, or agreements as Franchisor may reasonably require to facilitate such programs.

12.15.2. Franchisee will also participate in the gift check program established by Franchisor's predecessor ("**Gift Check Program**"). Franchisee agrees to timely

execute and deliver such documents, contracts, or agreements as Franchisor may reasonable require to facilitate such program.

12.16 **Personal Information.** Franchisee acknowledges it is responsible for the security of personally identifiable information, cardholder data, and financial data in its possession or in the possession or control of any service provider or third party-provided payment application provider that Franchisee engages to perform under this Agreement. Accordingly, Franchisee agrees to implement all administrative, physical, and technical safeguards necessary to protect any such information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, government-issued identification numbers, and credit-report information (“**Personal Information**”) in accordance with applicable law and industry best practices. It is entirely Franchisee’s responsibility (even if Franchisor provides Franchisee with any assistance or guidance in that regard) to confirm that the safeguards Franchisee uses to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal, and disclosure of Personal Information, including but not limited to the then-current Payment Card Industry Data Security Standards (“**PCI DSS**”). Franchisee must notify Franchisor immediately of becoming aware of any actual or suspected breach of security or unauthorized access involving Personal Information (“**Breach of Security**”). Such notice to Franchisor must include the following: (i) date and time that Franchisee discovered such Breach of Security and the date and time when the breach actually occurred, if discoverable; (ii) a detailed description of the Breach of Security; (iii) a list of the systems and data at risk, including a list of affected individuals; and (iv) a description of remediation actions taken after the Breach of Security was discovered, and what remediation actions Franchisee proposes to take to prevent further loss, misuse, compromise or unauthorized access to Sensitive Information. Thereafter, Franchisee must provide to Franchisor regular (but at least weekly) reports and updates describing the investigation into the Breach of Security and all corrective or remedial actions taken or to be taken by Franchisee or any subcontractor engaged by Franchisee, as the case may be, promptly provide any further information that Franchisor may request in connection with Breach of Security, cooperate with the Franchisor with respect thereto, and comply with applicable laws and regulations. Franchisor has the right, in its sole determination, to take any and all actions necessary or reasonable to remedy a Breach of Security, including conducting an investigation into the cause of the Breach of Security and notifying affected persons or government agencies accordingly. Franchisee will cooperate and provide Franchisor with all information reasonably necessary to (i) aid Franchisor’s compliance with all federal and state data breach notification laws and any other laws or regulations that may be applicable to a Breach of Security; and (ii) facilitate Franchisor’s determination of whether the breach was effectively mitigated. Franchisee will bear all costs and expenses incurred by Franchisor related to the Breach of Security and compliance with law, including but not limited to any government fines or penalties imposed on Franchisor as a result of the Breach of Security. Alternatively, Franchisor may require that Franchisee take action to remedy the Breach of Security at Fr

12.17 **Privacy Laws.** In the operation of the TACO DEL MAR Restaurant, Franchisee will receive “Customer Data.” “Customer Data” is information, records, lists or data that contains “Personal Information.” “Personal Information” includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be

further defined or amended by applicable federal, state and local statutes, regulations, ordinances and requirements, including but not limited to, the California Consumer Privacy Act. Personal Information is collected, maintained or generated in the operation of the TACO DEL MAR Restaurant, including through the use of a point of sale system.

Franchisee agrees, at its sole cost and expense, to at all times:

12.17.1. comply with the data protection, collection, maintenance and use requirements for Customer Data set out in the Operations Manual and this Franchise Agreement, including all policies, procedures and controls that Franchisor implements now or in the future;

12.17.2. comply with all applicable federal, state and local statutes, regulations, ordinances and requirements, including but not limited to, the California Consumer Privacy Act, relating to the data protection, collection, maintenance and use of Customer Data (collectively, “**Privacy Laws**”);

12.17.3. assist and otherwise cooperate with Franchisor to ensure Franchisor’s and Franchisee’s compliance with applicable Privacy Laws;

12.17.4. promptly notify Franchisor in writing of any Security Incident (defined below) that Franchisee becomes aware of or discovers. Franchisee will assist and otherwise cooperate with Franchisor to investigate any such Security Incident and will take all required steps, as determined by Franchisor, to remedy Franchisee’s noncompliance with applicable Privacy Laws, this Agreement or the Operations Manual. For purposes of this Section 12.17, “Security Incident” means any actual or suspected accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to Customer Data in violation of applicable Privacy Laws, this Agreement or the Operations Manual;

12.17.5. promptly provide Franchisor with the ability to delete, access or copy Customer Data in Franchisee’s possession or control;

12.17.6. promptly notify Franchisor of any request regarding Customer Data received by the Franchisee from a “consumer” as defined by applicable Privacy Laws;

12.17.7. adopt policies, procedures, and controls, including those set out in the Operations Manual, if any, that enable Franchisee to respond, and to cause its agents and employees to respond, promptly to any rights request made pursuant to applicable Privacy Laws, including any disclosure request, deletion request, or opt-out request;

12.17.8. adopt policies, procedures, and controls, including those set out in the Operations Manual, if any, that limit access to Customer Data to only those employees that have a need-to-know basis based on specific job function or role. Franchisee will provide data privacy and security training to employees who have access to Customer Data or who operate or have access to system controls and will require employees to adhere to data confidentiality terms providing for the protection of Customer Data in accordance with this Agreement and the Operations Manual; and

12.17.9. maintain Customer Data in confidence in accordance with Section 10 of this Agreement.

13. ADVERTISING AND MARKETING

13.1 **Authorization and Use of Advertising.** Franchisee must obtain Franchisor's prior written authorization of all written advertising or other marketing or promotional programs not previously authorized by Franchisor regarding the TACO DEL MAR Restaurant, including, without limitation, "Yellow Pages" advertising, newspaper ads, flyers, brochures, coupons, direct mail pieces, specialty and novelty items, radio and television advertising. Any proposed uses not previously authorized by Franchisor specifically with respect to Franchisee and the TACO DEL MAR Restaurant must be submitted to Franchisor or its affiliates at least ten (10) days prior to publication, broadcast, or use. Franchisee acknowledges that advertising and promoting the TACO DEL MAR Restaurant in accordance with Franchisor's and its affiliates' standards and specifications are essential aspects of the System, and Franchisee agrees to comply with all advertising standards and specifications. Franchisee also agrees to participate in any promotion campaigns, local store marketing campaigns, and advertising and other programs that Franchisor and its affiliates periodically establish, which may include, without limitation, Franchisee's agreement to accept coupons issued by Franchisor or its affiliates and provide discounts on products or services.

13.2 **Social Media.** Franchisee, its Designated Operating Partner, its Designated Manager, and its employees and agents will not have the right to use any of the Marks or other intellectual property of the Franchisor on any social network, social media or online community on the Internet or any other online, digital or electronic medium including, but not limited to, any "blog," YouTube®, Facebook®, Instagram®, Wikipedia®, professional networks like Linked In®, live-blogging tools like Twitter®, virtual worlds, file, audio and video sharing sites, and other similar social networking media or tools ("**Social Media**"), except with the prior written permission of the Franchisor. Franchisee, its Designated Operating Partner, its Designated Manager, and its employees and agents will comply with all of Franchisor's policies, standards and procedures for use of any Social Media that in any way references the Marks or involves the TACO DEL MAR Restaurant. Franchisee acknowledges and agrees that all social media sites (e.g., Facebook, Instagram, Twitter, etc.) will be created and managed by Franchisor. Franchisee further acknowledges and agrees that Franchisee, its Designated Operating Partner, its Designated Manager, and its employees and agents do not have the right to create Internet pages or engage in any other social media communications at the local level. Additionally, Franchisee must list the TACO DEL MAR Restaurant with the online directories and subscriptions Franchisor periodically prescribes (such as Yelp® and Google®), and/or establish any other online presence that Franchisor requires or authorizes. Franchisee must provide management access to social media, online directories, and subscriptions to Franchisor.

13.3 **Grand Opening.** At Franchisee's sole expense, Franchisee will conduct a grand opening advertising and promotional program for the TACO DEL MAR Restaurant and spend a minimum of \$5,000 at the time and in the manner specified by Franchisor in the Operations Manual.

13.4 Marketing Fund; Use of Marketing Fees. In accordance with Section 5.3 of this Agreement, Franchisee must pay to Franchisor the Marketing Fee which will be deposited into the Marketing Fund. The primary purpose of the Marketing Fund is to support sales by the entire TACO DEL MAR system and to build brand identity. The Marketing Fund will be administered and controlled exclusively by Franchisor. Accordingly, Franchisor will have the absolute and unilateral right to determine when, how and where the Marketing Fees and other payments deposited into the Marketing Fund will be spent, including but not limited to the following uses: the creation, production, and placement of advertising, in-store signs, in-store promotions, commercial or online and digital advertising; production and placement of media advertising, direct response literature, direct mailings, brochures, collateral advertising material, surveys of advertising effectiveness, other advertising or public relations expenditures relating to advertising TACO DEL MAR Restaurants services and products; providing professional services, materials, and personnel to support the marketing function; conducting product and menu testing; creating, producing, and implementing websites for Franchisor and/or its franchisees; developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or “next generations” of any such devices; and any other business products and services Franchisor deems appropriate and in the best interests of all TACO DEL MAR Restaurants and the System. All administrative and other costs associated with or incurred in the administration of the Marketing Fund including, but not limited to, marketing and administrative personnel salaries, fringe benefits and travel expenses, telephone and data charges, office rental, FF&E, leasehold improvements, collection costs (including attorneys’ fees paid in collecting past-due Marketing Fees) and office supplies may be paid from the Marketing Fund. Franchisee acknowledges and agrees that Franchisor will not be required to spend the Marketing Fees deposited into the Marketing Fund in: (a) any particular geographic or market area, (b) Franchisee’s market area in proportion to the Marketing Fees paid by Franchisee, or (c) the calendar year in which the payments were made. Franchisee agrees to participate in any promotion campaigns and advertising and other programs that the Fund periodically establishes, which may include, without limitation, Franchisee’s agreement to accept coupons issued by Franchisor or its affiliates. Franchisor and its affiliates have the right to deposit into the Marketing Fund any advertising, marketing, or similar allowances paid by suppliers who deal with TACO DEL MAR Restaurants and with whom Franchisor and its affiliates have agreed that they will (or if Franchisor and its affiliates otherwise choose to) so deposit these allowances. TACO DEL MAR Restaurants that Franchisor or its affiliates own will contribute to the Fund on the same basis as franchisees.

13.5 Management of Marketing Fund. The Marketing Fund will be managed by Franchisor, and Franchisor will have the right to, in its Reasonable Business Judgement (as defined in Section 29.2 below), reimburse itself or its designated representatives (which may be one or more of Franchisor’s affiliates) for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting, and legal expenses, taxes, and other reasonable direct and indirect expenses incurred by Franchisor or its representatives related in any way to Franchisor’s administration and operation of the Marketing Fund. Franchisor and its representatives will not be liable for any act or omission that is consistent with this Agreement and done in good faith in its Reasonable Business Judgment. Franchisor and its representatives may spend in any fiscal year more or less than the aggregate contribution of all TACO DEL MAR Restaurants to the Marketing Fund in that year, and the Marketing Fund may borrow from Franchisor or others (including Franchisor’s affiliates) to cover deficits or invest any surplus for future use. All interest accrued

by the Marketing Fund will be the exclusive property of the Marketing Fund. Franchisor may cause the Marketing Fund to be incorporated or operated through a separate entity at such time as Franchisor deems appropriate, and such successor entity, if established, will have all rights and duties specified in this Section. Franchisor and its representatives have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense. Franchisor and its representatives also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Franchisor and its representatives may at any time defer or reduce contributions of a franchisee and, upon thirty (30) days' prior written notice to Franchisee, reduce or suspend Marketing Fund contributions and operations for one (1) or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund. If the Marketing Fund is terminated, Franchisor and its representatives will disburse the remaining Marketing Fund as Franchisor sees fit in its Reasonable Business Judgment. Upon written request by Franchisee, Franchisor or its affiliates will make available to Franchisee, no later than one hundred twenty (120) days after the end of each calendar year, an annual unaudited financial statement for the Marketing Fund.

13.6 **Local Advertising.** Franchisee will spend, on a monthly basis, an amount equal to at least one percent (1%) of its Gross Sales during each month for approved local advertising and marketing as specified in the Operations Manual for its TACO DEL MAR Restaurant ("**Local Advertising**"). Upon request from Franchisor, Franchisee will furnish Franchisor with an accurate accounting of the Franchisee's expenditures for Local Advertising. If Franchisee fails to meet the minimum Local Advertising requirement, Franchisee will pay the Franchisor the difference between what it should have spent and what is actually spend, and such amount will be deposited into the Marketing Fund.

14. QUALITY CONTROL

14.1 **Standards and Specifications.** Franchisor will establish, and Franchisee must comply with, standards and specifications for services and products offered at or through the TACO DEL MAR Restaurant and the uniforms, recipes, materials, forms, menus (which may include nutritional information), items, and supplies used in connection with the franchised business (collectively, the "**Brand Standards**"). Franchisor and its affiliates reserve the right, from time to time, to change the Brand Standards, and Franchisee agrees to comply with such changes as they are communicated by Franchisor. Franchisee acknowledges that Franchisor's periodic modification of its Brand Standards may obligate Franchisee to invest additional capital in the TACO DEL MAR Restaurant and incur higher operating costs. Franchisee will permit Franchisor or its representatives (including Franchisor's affiliates) to inspect and audit the TACO DEL MAR Restaurant at any reasonable time, at Franchisor's or its affiliate's expense, to ensure Franchisee's compliance with the Brand Standards. In the event Franchisor or its representatives (including Franchisor's affiliates) has provided Franchisee in person or in writing with a notice that Franchisee has not complied with the Brand Standards, Franchisee will be solely responsible for reimbursing Franchisor (or its affiliates) for any inspections and audits of the TACO DEL MAR Restaurant undertaken by Franchisor or its representatives (including Franchisor's affiliates) after such notices have been provided to Franchisee and until the earlier of a cure of such noncompliance by Franchisee or termination of this Agreement.

14.2 **Inspections.** Franchisor and its representatives (including Franchisor's affiliates) will have the right to interview customers or examine the Franchised Location and to examine and copy its books, records, and documents, including, without limitation, the inventory, products, equipment, materials, or supplies, to ensure compliance with all standards and specifications set by Franchisor and its affiliates. Franchisor and its affiliates may conduct such inspections without prior notice to Franchisee.

14.3 **Restrictions on Services and Products.** Franchisee is prohibited from offering or selling any services or products from or through the TACO DEL MAR Restaurant that have not been previously authorized by Franchisor. However, if Franchisee proposes to offer, conduct, or utilize any services, products, materials, forms, items, or supplies in connection with or for sale through the TACO DEL MAR Restaurant that are not authorized by Franchisor, Franchisee must first notify Franchisor in writing requesting authorization. Franchisor may withhold such authorization for any reason, or no reason at all, based on its sole determination; however, in order to make such determination, Franchisor may require submission of specifications, information, or samples of such services, products, materials, forms, items, or supplies. Franchisor will advise Franchisee within a reasonable time whether such products, supplies, or services meet its specifications. Franchisor may require Franchisee to pay a fee not to exceed the actual cost of the review. If Franchisor determines that Franchisee fails to meet Franchisor's specifications and standards in connection with the provision of any products or services, including, without limitation, delivery services, Franchisor may permanently or temporarily terminate Franchisee's right to offer such products or services; provided that nothing contained herein will be deemed a waiver of Franchisor's right to terminate pursuant to Section 19 hereof.

14.4 **Authorized Vendors.** Franchisor and its affiliates reserve the right to authorize and/or designate, from time to time, manufacturers, vendors, distributors, suppliers, and producers (collectively referred to herein as "**Vendors**"), terms, and distribution methods for any goods or services (which include, but are not limited to, services, insurance, products, equipment, supplies, and materials). Franchisee must purchase all goods and services required for the operation of the TACO DEL MAR Restaurant from such authorized and/or designated Vendors (which may be only one Vendor for any given good or service) under terms, in the manner, and from the source designated by Franchisor or any of its affiliates. If Franchisor or any of its affiliates designates such goods and services are to be purchased through authorized and/or designated Vendors, then Franchisee must purchase such goods and services from such Vendors pursuant to the terms and in the manner authorized by Franchisor or its affiliates. Franchisor or any of its affiliates may be a Vendor, or otherwise party to these transactions, and may derive revenue or profit from such transactions. Franchisor and any of its affiliates may use such revenue or profit without restriction.

14.5 **Request for Change of Vendor.** In the event Franchisee desires to purchase equipment, products, services, supplies, or materials from vendors other than those previously authorized by Franchisor and its affiliates, Franchisee must, prior to purchasing any such equipment, products, services, supplies, or materials, give Franchisor a written request to change the vendor. Franchisor will notify Franchisee in writing of the authorization or rejection of the proposed vendor within a reasonable time after completion of the investigation of the proposed vendor. Franchisor and its affiliates may from time to time inspect any vendor's facilities and products to assure proper production, processing, storing, and transportation of equipment, products, services, supplies, or materials to be purchased from the vendor by Franchisee.

Permission for such inspection will be a condition of the continued authorization of such vendor. Franchisor and its affiliates may, for any reason whatsoever or no reason at all, based on its or their sole determination, elect to withhold authorization of the vendor; however, in order to make such determination, Franchisor and its affiliates may require that samples from a proposed new vendor be delivered for testing prior to authorization and use. A charge not to exceed the actual cost of the test may be made by Franchisor and will be paid by Franchisee. Franchisee acknowledges that Franchisor and its affiliates are likely to reject Franchisee's request for a new vendor without conducting any investigation if Franchisor and its affiliates already have designated an exclusive vendor for the equipment, products, services, supplies, or materials proposed to be offered by the new vendor as permitted in Section 14.4 above.

15. MARKS, TRADE NAMES, AND PROPRIETARY INTERESTS

15.1 **Marks.** Franchisee acknowledges that Franchisor and its affiliates have the sole right to license and control Franchisee's use of the Marks and that such Marks will remain under the sole and exclusive ownership and control of Franchisor and its affiliates. Franchisee acknowledges that it does not acquire any right, title, or interest in the Marks except for the right to use the Marks in operating its TACO DEL MAR Restaurant under this Agreement. Franchisee must display the Marks prominently at the TACO DEL MAR Restaurant, on packaging and serving materials, and in connection with forms, advertising, and marketing, all in the manner Franchisor prescribes. Franchisee further agrees that no Marks other than "TACO DEL MAR" or such other trademarks specified by Franchisor will be used in the marketing, promotion, identification, or operation of the TACO DEL MAR Restaurant, except with Franchisor's prior written consent. Franchisee may not, either during or after this Agreement's term, use any of the Marks or any similar word, phrase or symbol as part of any Social Media activity, except in accordance with Franchisor's guidelines set forth in the Operations Manual or otherwise in writing from time to time. If Franchisor approves the use of any Social Media activity relating to the operation of Franchisee's TACO DEL MAR Restaurant, Franchisee will do so only in accordance with Franchisor's guidelines. Franchisor will own the rights to any such Social Media activity. At Franchisor's request, Franchisee agrees to grant Franchisor access to each such Social Media activity, and to take whatever action (including signing assignment or other documents) Franchisor requests to evidence Franchisor's ownership of such Social Media activity, or to help Franchisor obtain exclusive rights in such Social Media activity. During the term of this Agreement and thereafter, Franchisee agrees not to (and to use Franchisee's best efforts to cause its current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor, Franchisor's affiliates, any of Franchisor's or its affiliates' directors, officers, employees, representatives or affiliates, the TACO DEL MAR brand, the franchise system, any other TACO DEL MAR restaurant, any business using the Marks, or which would subject the TACO DEL MAR brand to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of the COMPANY or the TACO DEL MAR brand. Franchisee may not prepare any adaptation, translation, transliteration, or work derived from the Marks without Franchisor's consent. If Franchisor approves such adaptation, translation, transliteration, or work, Franchisee hereby agrees that the derivative work will be the property of Franchisor, and Franchisee hereby assigns all its right, title, and interest therein to Franchisor.

15.2 **Trademark Infringement.** Franchisee agrees to notify Franchisor immediately in writing of any possible infringement of a Mark or use by others of a trademark confusingly similar to the Marks coming to its attention. Franchisee acknowledges that Franchisor and its affiliates will have the sole right to determine whether any action will be taken in response to any possible infringement or illegal use and to control any action taken. Franchisee agrees to fully cooperate with Franchisor and its affiliates in any litigation or other action.

15.3 **Franchisee's Business Name.** Franchisee acknowledges that Franchisor and its affiliates have a prior and superior claim to the TACO DEL MAR trade name. Franchisee will not use the words "TACO DEL MAR" or "TDM" in the legal name of its corporation, partnership, or any other business entity. Franchisee also agrees not to register or attempt to register a trade name using the word "TACO DEL MAR," "TDM," or any portion thereof in Franchisee's name or that of any other person or business entity.

15.4 **Change of Marks.** In the event Franchisor decides to modify or discontinue use of any proprietary Marks, or to develop additional or substitute marks, Franchisee will, within a reasonable time after receipt of written notice, take such action, at Franchisee's sole expense, necessary to comply with such modification, discontinuation, addition, or substitution. Franchisor and its affiliates need not reimburse Franchisee for its direct expenses of changing the TACO DEL MAR Restaurant's signs, for any loss of revenue due to any modified or discontinued Mark, or for its expenses of promoting a modified or substitute trademark or service mark.

16. REPORTS, RECORDS, AND FINANCIAL STATEMENTS

16.1 **Reports.** Franchisee will maintain an accurate durable electronic or written record of the daily Gross Sales for the TACO DEL MAR Restaurant and other information specified by Franchisor, and will electronically submit reports for the TACO DEL MAR Restaurant using the forms, formats, and procedures set forth in the Operations Manual. If Franchisee fails or refuses to submit any such report when required by Franchisor, Franchisor will have the right to terminate this Agreement as provided for in Section 19. The information required to be contained in such reports will be determined by Franchisor (which Franchisor may change from time to time), will include, but not be limited to the following:

16.1.1. Weekly summary reports, submitted by no later than the Due Date each week (defined in Section 6.1) and containing information relative to the previous weekly reporting period operations;

16.1.2. Any other data, information, and supporting records reasonably requested by Franchisor from time to time (including, without limitation, daily and weekly reports of product sales by category);

16.1.3. By the end of each month, or by the end of each Franchisee's monthly accounting period, an income statement of Franchisee's TACO DEL MAR Restaurant for the prior month and for the fiscal year to date, prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied, in Franchisor's recommended format;

16.1.4. Franchisee must deliver to Franchisor, within five (5) days after receipt, copies of any default notices received by Franchisee from any of its lenders. Franchisee agrees that Franchisor or its affiliates may contact Franchisee's bank, other lenders, and vendors to obtain information regarding the status of Franchisee's loan(s) and account(s) (including, without limitation, payment histories and any defaults), and Franchisee hereby authorizes its bank, other lenders, and vendors to provide such information to Franchisor and its affiliates; and

16.1.5. Within one-hundred and twenty (120) days after the end of Franchisee's fiscal year, Franchisor may request an income statement and balance sheet of Franchisee's TACO DEL MAR Restaurant for such fiscal year (reflecting all year-end adjustments) and a statement of changes in cash flow of the TACO DEL MAR Restaurant, prepared in accordance with GAAP consistently applied and in Franchisor's recommended format. Franchisor reserves the right to require that Franchisee has reviewed financial statements prepared on an annual basis.

16.2 **Financial Records Use and Access.** Franchisor reserves the right to disclose financial and accounting data received from Franchisee or otherwise available to Franchisor. Franchisor reserves the right to require that Franchisee install and maintain a modem and/or dedicated line at the TACO DEL MAR Restaurant which Franchisor or its authorized representatives may access to obtain sales information and data of the POS Systems (defined in Section 4.6), and Franchisee agrees to cooperate with Franchisor's procedures regarding the POS Systems. With respect to the operation and financial condition of the TACO DEL MAR Restaurant, Franchisee agrees to furnish the required financial and accounting reports in the form prescribed by Franchisor, which may include, without limitation, computer file, electronic mail, and facsimile transmission.

16.3 **Books and Records/Maximum Borrowing Commitment.** Franchisee must maintain all books and records for its TACO DEL MAR Restaurant in accordance with GAAP consistently applied and preserve such records, including cash register tapes, shift reports, weekly operating summaries, and sales tax returns, for at least three (3) years (or such greater time as required by law) after the fiscal year to which they relate. Franchisee must maintain all books and records for the TACO DEL MAR Restaurant separate from any other businesses operated by Franchisee.

16.4 **Audit Rights.** Franchisee will permit Franchisor or its representatives (including Franchisor's affiliates) to inspect and audit the books, records, and other information of the TACO DEL MAR Restaurant at any reasonable time, and at or away from the Franchised Location, at Franchisor's or its affiliate's expense. Franchisor and its affiliates may collect the TACO DEL MAR Restaurant's books, records, and other information for review in any form or manner they reasonably determine, including, without limitation, requiring Franchisee to send documents to Franchisor's offices. If any audit discloses a deficiency in amounts owed to Franchisor, including but not limited to amounts owed to Franchisor pursuant to Article 5 of this Agreement, then such amounts will become immediately payable to Franchisor by Franchisee, with interest from the date such payments were due at the lesser of two percent (2%) per month or the maximum commercial contract interest rate allowed by law. In addition, if such audit discloses that the Gross Sales of the TACO DEL MAR Restaurant have been understated by two (2%) or more during the audit

period, Franchisee will pay all reasonable costs and expenses that Franchisor or its affiliates incurred in connection with such audit.

17. TRANSFER

17.1 **Transfer by Franchisee.** Franchisee agrees that the rights and duties created by this Agreement are personal to Franchisee (or its shareholders, partners, members, or owners, if Franchisee is a corporation, partnership, limited liability company, or other business entity) and that Franchisor has entered into this Agreement in reliance upon Franchisor's perceptions of the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee (or its shareholders, partners, members, or owners). Accordingly, without Franchisor's prior written consent, which will not be unreasonably withheld, Franchisee will not transfer any of the following (nor attempt to transfer any of the following, including by listing any of the following for sale on any sales directory or platform), this Agreement (or any interest in this Agreement), any part or all of the ownership of Franchisee, the TACO DEL MAR Restaurant or all or a substantial portion of its assets. Any unauthorized transfer is a breach of this Agreement, void, and of no effect. As used in this Agreement, the term "**transfer**" includes Franchisee's (or an owner's) voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in: (1) this Agreement; (2) the Franchisee entity; (3) the TACO DEL MAR Restaurant governed by this Agreement; or (4) all or a substantial portion of the assets of the TACO DEL MAR Restaurant. It also includes an assignment of day-to-day operational responsibilities for the TACO DEL MAR Restaurant pursuant to an operating agreement or otherwise. A transfer of the TACO DEL MAR Restaurant's ownership, possession, or control, or all or a substantial portion of its assets, may be made only with a transfer of this Agreement. In addition, Franchisee may not assign or pledge this Agreement or an ownership interest in Franchisee (other than to Franchisor) as additional security for any loans or other financing.

17.2 **Pre-Conditions to Franchisee's Transfer.** Franchisee agrees that there may be no transfers before the TACO DEL MAR Restaurant has opened for business. Franchisor will not be obligated to approve a proposed transfer unless Franchisor determines that Franchisee (and its owners) is in full compliance with this Agreement and all other franchise agreements with Franchisor. The proposed transferee and its owners must be individuals of good moral character and otherwise meet Franchisor's then applicable standards for franchisees. If the proposed transfer is of this Agreement and the TACO DEL MAR Restaurant, day-to-day operational responsibilities for the TACO DEL MAR Restaurant, or a controlling interest in Franchisee, or is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate transfer this Agreement and the TACO DEL MAR Restaurant or a controlling interest in Franchisee, all of the following conditions must be met before or concurrently with the effective date of the transfer:

17.2.1. All amounts due and owing pursuant to this Agreement or otherwise (including under another franchise agreement) by Franchisee (or any other legal entity in which Franchisee, or one of its owners with at least a twenty-five percent (25%) ownership interest in Franchisee, is an owner) to Franchisor, its affiliates, or third parties whose debts or obligations Franchisor has guaranteed on behalf of Franchisee, if any, are paid in full; Franchisee has submitted all required reports and statements; and Franchisee has not violated any provision of this Agreement, the TACO DEL MAR Restaurant's Lease, or

any other agreement with Franchisor and its affiliates (including another franchise agreement) during both the sixty (60) day period before Franchisee requested Franchisor's consent to the transfer and the period between Franchisee's request and the effective date of the transfer;

17.2.2. The proposed transferee agrees to operate the TACO DEL MAR Restaurant as a TACO DEL MAR Restaurant, signs Franchisor's then-current form of franchise agreement, the provisions of which may differ materially from any and all of those contained in this Agreement, and passes other required tests and satisfactorily completes the Initial Training Program;

17.2.3. Franchisee provides written notice to Franchisor at least thirty (30) days prior to the proposed effective date of the transfer and includes information reasonably detailed to enable Franchisor to evaluate the terms and conditions of the proposed transfer, which at a minimum includes a written offer from the proposed transferee;

17.2.4. The proposed transferee provides information to Franchisor sufficient for Franchisor to assess the proposed transferee's business experience, aptitude, and financial qualification, and Franchisor approves the proposed transferee as a franchisee;

17.2.5. Neither the transferee nor its owners or affiliates have an ownership interest in, or perform services as a director, officer, manager, employee, consultant, lessor, representative, agent, or otherwise for, a Competitive Business;

17.2.6. Franchisee and the proposed transferee agree to renovate, refurbish, remodel, or replace, at their own cost, the real and personal property and equipment used in operating the TACO DEL MAR Restaurant within the timeframe specified by Franchisor in order to comply with Franchisor's and its affiliates' then current image, standards of operation, and performance capability;

17.2.7. Franchisee's landlord consent to Franchisee's assignment of the TACO DEL MAR Restaurant's Lease to the transferee;

17.2.8. If Franchisee or its owners finance any part of the purchase price, such financing, together with any third-party financing, either does not exceed the maximum debt limits or debt service limits established by Franchisor for the TACO DEL MAR Restaurant or, to the extent it does exceed such maximum debt limits, the excess portion of such financing is not secured by the TACO DEL MAR Restaurant or its assets. Franchisee and/or its owners further agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the TACO DEL MAR Restaurant are subordinate to the transferee's obligation to pay fees and other amounts due to Franchisor and its affiliates and otherwise to comply with this Agreement;

17.2.9. Franchisee, its owners and guarantors execute a non-disparagement agreement and general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates, and their respective shareholders, officers, directors, employees, and agents;

17.2.10. Franchisee, its owners and guarantors abide by all post-termination covenants, including, without limitation, the covenant not to compete set forth in Section 24.4; and

17.2.11. If Franchisee is an individual transferring this Agreement and the TACO DEL MAR Restaurant to an entity wholly-owned by Franchisee, Franchisee agrees both to remain personally responsible for the entity's performance of its obligations under this Agreement and to continue to comply personally with all obligations under this Agreement. Neither the transferee nor its owners may, without Franchisor's prior written consent, take over possession of the TACO DEL MAR Restaurant until the transfer process has been completed. Franchisee acknowledges and agrees that Franchisor may, but will not be required to, release one or more guarantors of Franchisee's obligations upon transfer.

17.3 **Transfer Fee.** If Franchisor approves the proposed transfer, Franchisee or the proposed transferee must pay Franchisor a transfer fee in an amount equal to Five Thousand Dollars (\$5,000) ("**Transfer Fee**"). The Transfer Fee is to cover the costs incurred by the Franchisor in connection with the transfer; provided, however, the Transfer Fee will not be charged (and Franchisor's right of first refusal will not apply) for a transfer by Franchisee to an entity wholly-owned by Franchisee, between owners of a Franchisee entity, or to a spouse of Franchisee (or owner of Franchisee) upon the death or disability of Franchisee (or the owner) so long as (i) the transfer does not result in a change of control of Franchisee and (ii) Franchisee reimburses Franchisor for any direct costs Franchisor incurs in connection with documenting and otherwise processing such transfer, including Franchisor's reasonable legal fees. A person will be deemed to have a controlling interest in Franchisee if that person has the right to vote twenty-five percent (25%) or more of the voting securities or other forms of ownership interest of a corporation, partnership, or other form of entity, or is entitled to receive twenty-five percent (25%) or more of the net profits of any such entity, or is otherwise able to direct or cause the direction of that entity's management or policies.

17.4 **Franchisor's Authorization of Transfer.** Franchisor has thirty (30) days from the date of the written notice to authorize or reject, in writing, Franchisee's proposed transfer (assuming the conditions specified in Section 17.2 above have been satisfied). Franchisee acknowledges that the proposed transferee will be evaluated by Franchisor based on the same criteria as those currently being used to assess new franchisees and that the proposed transferee will be provided with such disclosures required by applicable law. Franchisor may review all information regarding the TACO DEL MAR Restaurant that Franchisee gives the transferee, and Franchisor may give the transferee copies of any reports that Franchisee has given Franchisor or Franchisor has made regarding the TACO DEL MAR Restaurant.

17.5 **Right of First Refusal.** Franchisee grants to Franchisor a thirty (30) day right of first refusal to purchase such rights, interest, or assets on the same terms and conditions as are contained in the written notice set forth in Section 17.2.3; provided, however, the following additional terms and conditions will apply: (a) the right of first refusal will be effective for each proposed transfer, and any material change in the terms or conditions of the proposed transfer will be deemed a separate offer for which Franchisor will have a new thirty (30) day right of first refusal; (b) the thirty (30) day right of first refusal period will run concurrently with the period in which the Franchisor has to approve or reject the proposed transferee; (c) if the consideration or

manner of payment offered by a proposed transferee is such that Franchisor cannot reasonably be expected to furnish the same, then Franchisor may purchase the interest proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash consideration, an independent appraiser will be designated by Franchisor, whose determination will be binding upon the parties; all expenses of the appraiser will be paid for equally by Franchisor and Franchisee; and, despite subparagraph (b), Franchisor will have fifteen (15) days after determination of the cash consideration to exercise its right of first refusal; and (d) if Franchisor chooses not to exercise its right of first refusal, Franchisee will be free to complete the transfer subject to compliance with Sections 17.2 and 17.4. Franchisor has the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section.

17.6 **Transfer by Franchisor.** Franchisee represents that it has not signed this Agreement in reliance on any shareholder, member, director, officer, or employee remaining with Franchisor in that capacity. Franchisor may change its ownership or form and/or assign this Agreement and any other agreement without restriction. After Franchisor's assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, Franchisor no longer will have any performance or other obligations under this Agreement.

17.7 **Franchisee's Death or Disability.** Upon the death or permanent disability of Franchisee (or an individual controlling a Franchisee entity), the personal representative of such person must transfer Franchisee's interest in this Agreement or such interest in the Franchisee entity to an approved third party. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) will be completed within a reasonable time, not to exceed one hundred twenty (120) days from the date of death or permanent disability (unless extended by probate proceedings), and will be subject to all terms and conditions applicable to transfers contained in this Section 17; provided, however, that for purposes of this Section, there will be no Transfer Fee charged by Franchisor. Failure to transfer the interest within said period of time will constitute a breach of this Agreement. The term "**permanent disability**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent Franchisee (or an owner controlling a Franchisee entity) from supervising the management and operation of the TACO DEL MAR Restaurant for a period of one hundred twenty (120) days from the onset of such disability, impairment, or condition. In any event, the TACO DEL MAR Restaurant will at all times be managed by a Designated Manager who has complied with all of Franchisor's training requirements, regardless of any death or permanent disability covered by this Section.

18. DEFAULT AND TERMINATION

18.1 **Termination Effective Upon Notice.** Franchisee will be deemed to be in default subject to immediate termination under this Agreement, without prior notice of the default from the Franchisor and without an opportunity to cure the default unless precluded by applicable law or otherwise as stated herein, if any of the following events occur:

18.1.1. **Unauthorized Opening.** If Franchisee begins operating the TACO DEL MAR Restaurant without having obtained Franchisor's prior written consent, as required in Section 4.8; or

18.1.2. **Unauthorized Disclosure.** If Franchisee or any person under Franchisee's control intentionally or negligently discloses to any unauthorized person, or copies or reproduces, the contents or any part of the Operations Manual or any other trade secrets or Confidential Information of Franchisor or its affiliates; or

18.1.3. **Fraud or Conduct Which Adversely Impair the Marks.** If Franchisee commits fraud in connection with the purchase or operation of the TACO DEL MAR Restaurant or otherwise engages in conduct that, in the sole judgment of Franchisor, impairs or may impair the goodwill associated with the Marks or otherwise subjects the Marks or the TACO DEL MAR system to ridicule, scandal, reproach, scorn or indignity; or

18.1.4. **Abandonment.** If Franchisee ceases to operate the TACO DEL MAR Restaurant or otherwise abandons the TACO DEL MAR Restaurant for a period of five (5) consecutive days, or Franchisee indicates an intent by Franchisee to permanently discontinue operation of the TACO DEL MAR Restaurant, unless and only to the extent that full operation of the TACO DEL MAR Restaurant is suspended or terminated due to fire, flood, earthquake, or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee; or

18.1.5. **Insolvency; Assignments.** If Franchisee becomes insolvent or is adjudicated as bankrupt; or any action is taken by Franchisee, or by others against Franchisee, under any insolvency, bankruptcy, or reorganization act (this provision might not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.); or if Franchisee makes an assignment for the benefit of creditors; or a receiver is appointed for Franchisee; or

18.1.6. **Unsatisfied Judgments; Levy; Foreclosure.** If any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's business or any of the property used in operating the TACO DEL MAR Restaurant and is not discharged within five (5) days; or if the real or personal property of Franchisee's business will be sold after levy by any sheriff, marshal, or constable; or

18.1.7. **Criminal Conviction.** If Franchisee (or any of its Bound Parties, as defined in Section 20.1) is convicted of, or pleads no contest or guilty to, a felony, a crime involving moral turpitude, or any crime or offense reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the Licensed Methods, Marks, and associated goodwill and reputation; or

18.1.8. **Failure to Make Payments.** If Franchisee (or any other legal entity in which Franchisee, or one of its owners with at least a twenty-five percent (25%) ownership interest in Franchisee, is an owner) fails to timely pay any amounts due Franchisor or any affiliate of Franchisor within five (5) days after delivery of notice to Franchisee that such fees or amounts are overdue, together with interest on the past-due obligations at the rate of 24% per annum and the applicable administrative fees; or

18.1.9. **Financial Reporting.** If Franchisee intentionally underreports Gross Sales in any amount or negligently underreports Gross Sales by five percent (5%) or more during any reporting period; or

18.1.10. **Failure to Complete Training.** If Franchisee (or its Designated Operating Partner or Designated Manager) fails or refuses to complete the Initial Training Program to Franchisor's satisfaction or to commence operations of the TACO DEL MAR Restaurant within the required time period; or

18.1.11. **Failure to Commence Operation.** If Franchisee fails or refuses to commence operation of the TACO DEL MAR Restaurant within the required time period as set forth in Section 4.2; or

18.1.12. **Misuse of Marks.** If Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within ten (10) days after delivery of notice from Franchisor; or

18.1.13. **Repeated Noncompliance.** If Franchisee has received three (3) notices of default from Franchisor relating to noncompliance with the Operations Manual and/or Brand Standards within a twenty-four (24) month period, regardless of whether the defaults were cured by Franchisee; or

18.1.14. **Right to Possession of Property.** If Franchisee loses the right to occupy the TACO DEL MAR Restaurant's premises because of its default under the Lease or defaults under any agreement related to use or operation of the TACO DEL MAR Restaurant; or

18.1.15. **Unauthorized Transfer.** If Franchisee sells, transfers, or otherwise assigns the franchise, an interest in the franchise or Franchisee entity, this Agreement, the TACO DEL MAR Restaurant, or a substantial portion of the assets of the TACO DEL MAR Restaurant without complying with the provisions of Section 17; or

18.1.16. **Termination of Other Franchise Agreement.** If Franchisor or any of its affiliates issues a notice of termination with respect to any other franchise agreement between Franchisor or any such affiliate and Franchisee (or any other legal entity in which Franchisee, or one of its owners with at least a twenty-five percent (25%) ownership interest in Franchisee, is an owner) governing the operation of another TACO DEL MAR Restaurant; or

18.1.17. **Loan Default.** If Franchisee commits a default under any loan from or equipment lease with Franchisor, its affiliates, or a third party and fails to cure that default by the date specified by the lender or equipment lessor; or

18.1.18. **Unsafe or Unsanitary Conditions.** If Franchisee creates or allows to exist any condition in connection with the business, in or at the TACO DEL MAR Restaurant, or on or about the TACO DEL MAR Restaurant's premises, which Franchisor reasonably believes presents health or safety concerns for the TACO DEL MAR Restaurant's customers or employees; or

18.1.19. **Violation of Health/Safety Laws/Regulations.** If Franchisee violates any health, safety, or sanitation law, ordinance, or regulation, and does not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours after Franchisee receives notice from Franchisor or any other party, regardless of any longer period of time that any governmental authority or agency may have given Franchisee to cure such violation; or

18.1.20. **Material Misrepresentation.** If Franchisee (or any of its owners) have made or make any material misrepresentation or omission in acquiring the franchise or operating the TACO DEL MAR Restaurant; or

18.1.21. **Failure to Obtain Financing.** If Franchisee fails to obtain financing for the TACO DEL MAR Restaurant within six (6) months after the Effective Date; or

18.1.22. **Insurance.** Franchisee fails or refuses to maintain any insurance policy required by the Franchisor, or otherwise fails or refuses to adhere to the requirements of Section 12.

If this Agreement is terminated by the Franchisor pursuant to this Section 18.1, then Franchisor will provide Franchisee with written notice that this Agreement is terminated and, in that event, the effective date of termination of this Agreement will be the day the written notice of termination is received by Franchisee.

18.2 **Termination after Failure to Cure.** Franchisee will be deemed to be in default under this Agreement and Franchisor will have the right to terminate this Agreement and all rights granted under this Agreement if within thirty (30) days, or within any shorter period expressly set forth in the following clauses as to such default or any longer cure period required by applicable law, after the Franchisor sends Franchisee written notification setting out the nature of the default (“**Notice of Default**”), Franchisee does not correct the default to Franchisor’s satisfaction for any of the following events (for the purposes of this Agreement, an alleged breach of this Agreement by Franchisee will be deemed to be “corrected” if both Franchisor and Franchisee agree in writing that the alleged breach has been corrected):

18.2.1. **Cancelled Licenses.** Any license, permit, or certification required for occupancy, operating, or food service at Franchisee’s TACO DEL MAR Restaurant is canceled for any reason; or

18.2.2. **Replacement Designated Manager.** Franchisee fails to designate a duly qualified replacement Designated Manager within thirty (30) days after the former Designated Manager ceases to serve in that capacity; or

18.2.3. **Breach of Agreement or Operations Manual.** Franchisee breaches any provision, term, or condition of this Agreement or fails or refuses to comply with the Operations Manual; or

18.2.4. **Circumvention of POS Systems.** Franchisee circumvents the POS Systems by not accurately recording every sale or other transaction in the POS Systems in accordance with Franchisor's requirements; or

18.2.5. **Failure to Comply with Reporting Requirements.** Franchisee fails to prepare and submit any statement or report required under Section 16.

18.3 **State and Federal Law.** Franchisor and Franchisee acknowledge that, in the event that the terms of this Agreement regarding termination or expiration are inconsistent with applicable state or federal law, such law will govern Franchisee's right regarding termination or expiration of this Agreement.

18.4 **Assumption of Management.** Franchisor has the right (but not the obligation), under the circumstances described below, to enter the TACO DEL MAR Restaurant and assume management of the TACO DEL MAR Restaurant (or to appoint a third party to assume its management) for any time period it deems appropriate. If Franchisor or a Designee assumes management of the TACO DEL MAR Restaurant, Franchisee must pay the Management Fee set forth in Section 5.6 plus Franchisor or Designee's direct out-of-pocket costs and expenses, during the Management Period. If Franchisor (or Designee) assumes management of the TACO DEL MAR Restaurant, Franchisee acknowledges that Franchisor (or Designee) will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses, or obligations the TACO DEL MAR Restaurant incurs, or to any of Franchisee's creditors for any supplies or services the TACO DEL MAR Restaurant purchases, while Franchisor (or Designee) manages it. Franchisor (or Designee) may assume the TACO DEL MAR Restaurant's management under the following circumstances: (i) if Franchisee abandons the TACO DEL MAR Restaurant; or (ii) if Franchisee fails to comply with any provision of this Agreement and does not cure the failure within the time period Franchisor specifies in its notice to Franchisee. The exercise of Franchisor's rights under this section will not affect Franchisor's right to terminate this Agreement.

19. OBLIGATIONS OF FRANCHISEE UPON TERMINATION OR EXPIRATION

19.1 **Obligations of Franchisee Upon Termination or Expiration.** Franchisee is obligated upon termination or expiration of this Agreement to immediately:

19.1.1. Pay all Royalties and other amounts then owed Franchisor or its affiliates pursuant to this Agreement or otherwise;

19.1.2. Cease identifying itself as a TACO DEL MAR franchisee and cease using any Marks, trade secrets, signs, symbols, devices, trade names, or other materials of Franchisor and its affiliates;

19.1.3. Immediately cease to identify the Franchised Location as being, or having been, associated with the Marks and immediately cease using the Marks and Licensed Methods;

19.1.4. Deliver to Franchisor all signs, sign-faces, advertising materials, forms, and other materials bearing any of the Marks or otherwise identified with the Marks, and allow

Franchisor or its designee, without liability to Franchisee or third parties, to remove these items from the Franchised Location;

19.1.5. Immediately deliver to Franchisor the Operations Manual and all other information, documents, and copies which are proprietary to Franchisor and its affiliates;

19.1.6. If applicable, immediately (i) cease any Social Media activity related to Franchisee's TACO DEL MAR Restaurant or the Marks, (ii) take any action as may be required to disable any Social Media accounts, and (iii) cancel all rights in and to any accounts for such Social Media;

19.1.7. Promptly take such action required to cancel all fictitious or assumed name or equivalent registrations relating to its use of any Marks or, at the option of Franchisor, assign the same to Franchisor or its designee;

19.1.8. Notify the telephone company and all telephone directory publishers of the termination or expiration of Franchisee's right to use any telephone number and any regular, classified, or other telephone directory listings associated with any Mark and authorize their transfer to Franchisor or its designee. Franchisee acknowledges that, as between Franchisee and Franchisor, Franchisor has the sole rights to and interest in all telephone or facsimile machine numbers and directory listings associated with any Mark. Franchisee authorizes Franchisor, and hereby appoints Franchisor and any of its officers as Franchisee's attorney-in-fact, to direct the telephone company and all telephone directory publishers to transfer any telephone or facsimile machine numbers and directory listings relating to the TACO DEL MAR Restaurant to Franchisor or its designee, should Franchisee fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive of Franchisor's exclusive rights in such telephone numbers and directory listings and Franchisor's authority to direct their transfer; and

19.1.9. Abide by all restrictive covenants set forth in Section 20 of this Agreement.

20. INDEPENDENT CONTRACTORS

20.1 **Independent Businesspersons.** Nothing in this Agreement is intended by the parties hereto to create a fiduciary relationship between them nor to constitute Franchisee as a subsidiary, joint venturer, partner, agent or employee of the Franchisor for any purpose whatsoever. It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any warranty or representation on behalf of the Franchisor other than those contained in any disclosure document prepared by the Franchisor for use by Franchisee, nor is Franchisee authorized to create any obligation or enter into any contract binding on Franchisor. Franchisor and Franchisee agree that neither of them will hold themselves out to be the agent, employer, or partner of the other and that neither of them has the authority to bind or incur liability on behalf of the other (unless expressly provided in this Agreement).

20.2 **Payment of Third-Party Obligations.** Neither party is liable or responsible for the other's debts or obligations, nor will either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business.

Accordingly, Franchisor will have no liability for Franchisee's obligations to pay any third parties (including, without limitation, any product vendors), or for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes levied upon Franchisee, Franchisee's property, the TACO DEL MAR Restaurant, or Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor and Franchisor's income taxes). Franchisee must reimburse Franchisor for any taxes that Franchisor must pay to any state taxing authority on account of either Franchisee's operation or payments that Franchisee makes to Franchisor.

20.3 Operation of Business. Franchisee will be completely and solely responsible for the operation of its TACO DEL MAR Restaurant, and will control, supervise and manage all the employees, agents and independent contractors who work for or with Franchisee, including the right to hire and fire its employees. Franchisee will be responsible for the acts of its employees, agents and independent contractors, and will take all reasonable business actions necessary to ensure that its employees, agents and independent contractors comply with all federal, state and local laws, rules and regulations including, but not limited to, all discrimination laws, sexual harassment laws and laws relating to the disabled. Franchisor will not have any right, obligation or responsibility to control, supervise, or manage Franchisee's employees, agents or independent contractors, and will no way be involved in the day-to-day operations of Franchisee's TACO DEL MAR Restaurant.

21. INDEMNIFICATION

21.1 Indemnification. Franchisee will defend at its own cost and indemnify and hold harmless Franchisor, its shareholders, affiliates and subsidiaries and their respective directors, officers, employees and agents, from and against any and all loss, costs, expenses (including legal and other professional fees and expenses), damages and liabilities, however caused, resulting directly or indirectly from or pertaining to the breach by Franchisee of its obligations under this Agreement or the use, condition or construction, equipping, decorating, maintenance or operation of the TACO DEL MAR Restaurant, including the sale of any food products, service or merchandise sold from the TACO DEL MAR Restaurant. Such loss, claims, costs, expenses, damages and liabilities will include, without limitation, those arising from latent or other defects in the TACO DEL MAR Restaurant, whether or not discoverable by Franchisor, Franchisee's violation of any federal, state or local law, statute, rule, or regulation including, but not limited to, violation of Privacy Laws, and those arising from the death or injury to any person or arising from damage to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees or resulted from any strict liability imposed on Franchisor or any of its agents or employees.

21.2 Payment of Costs and Expenses. Each Indemnified Party will have the right to defend any such claim against it at Franchisee's expense and agree to settlements or take any other remedial, corrective, or other actions. In addition, at the written request of any Indemnified Party, Franchisee will advance to the Indemnified Party the expenses (including attorneys' fees) incurred by the Indemnified Party in defending any claim that is in advance of the final disposition of such claim. The Indemnified Party agrees and undertakes to repay such advanced amounts (or

appropriate portions thereof) as to which it ultimately is determined that the Indemnified Party was not entitled; provided that this undertaking will be effective only if and to the extent that, by law, it must be enforced as a condition to the receipt by the Indemnified Party of advanced expenses under this Section 22. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement

22. FRANCHISEE'S REPRESENTATIONS, WARRANTIES, AND COVENANTS

22.1 **Organization.** If Franchisee is a corporation, limited liability company, partnership or other entity, then Franchisee and its Designated Operating Partner represent, warrant and covenant that:

22.1.1. Franchisee is duly organized and validly existing under the law of the state or territory where formed;

22.1.2. Franchisee is duly qualified and is authorized to do business in the jurisdiction where the TACO DEL MAR Restaurant is located and in each jurisdiction where it conducts business, maintains offices, owns real estate or where qualification is required;

22.1.3. Franchisee's articles of incorporation, certificate of formation, by-laws, operating agreement, member control agreement, partnership agreement or other organizational documents ("**Organizational Documents**") will at all times provide that Franchisee's business activities will be confined exclusively to the ownership and operation of the TACO DEL MAR Restaurant, unless otherwise consented to in writing by Franchisor;

22.1.4. The execution of this Agreement and the consummation of the transactions contemplated by this Agreement are within the powers granted to Franchisee by the Organizational Documents and have been duly authorized and approved by Franchisee or by the board of directors, board of governors, managing members, managing partner, or other governing body of Franchisee;

22.1.5. Copies of all Organizational Documents and any other documents, agreements or resolutions in Franchisee's possession will be provided to Franchisor upon written request;

22.1.6. The names of the owners of Franchisee and their respective ownership interests in Franchisee are accurately stated and completely described in the Statement of Ownership attached hereto as **Exhibit B**;

22.1.7. Each of the Franchisee's owners who owns at least ten percent (10%) of the issued and outstanding ownership interests in Franchisee will execute the Guaranty and Assumption of Franchisee's Obligations attached hereto as **Exhibit C**;

22.1.8. Franchisee will at all times maintain a current schedule of the owners of Franchisee and their respective ownership interests, and Franchisee will immediately provide Franchisor with a copy of the updated ownership schedule whenever there is any

change of ownership. The ownership schedule will contain the name, address, telephone number and e-mail address of each owner of Franchisee and will state the percentage of ownership that each owner has in Franchisee;

22.1.9. If any person or entity ceases to be one of Franchisee's owners, or if any individual or entity becomes an owner of Franchisee, then Franchisee will notify Franchisor in writing and within five days Franchisee will require the new owner to execute all documents then required by Franchisor;

22.1.10. Franchisee's Organizational Documents and any documents representing ownership in Franchisee will provide that no ownership interest in Franchisee may be assigned or transferred to any person or entity unless it is in strict compliance with the terms, conditions, and restrictions contained in this Agreement;

22.1.11. Franchisee has no material liabilities, adverse claims, commitments or obligations of any nature as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, except as disclosed to Franchisor in writing or set forth in the financial statements of Franchisee that have been provided to Franchisor;

22.1.12. The representations, warranties and covenants contained in this Section are continuing obligations of Franchisee and the owners of Franchisee and that any failure to comply with such representations, warranties, and covenants will constitute a material breach of this Agreement.

22.2 **Compliance with Agreement.** Franchisee, its Designated Operating Partner, and the other owners of Franchisee represent, warrant, and covenant that they will comply with all requirements and will perform all obligations in accordance with the terms and conditions of this Agreement.

23. FRANCHISEE'S RESTRICTIVE COVENANTS

23.1 **Consideration.** Franchisee acknowledges that, in addition to the license of the Marks, Franchisor also has licensed commercially valuable information which comprises the System, including, without limitation, operations, marketing, advertising, and related information and materials, and that the value of this information arises not only from the time, effort, and money which went into its compilation but also from the usage by all franchisees.

23.2 **Non-Competition During Term.** Franchisee agrees that, other than the TACO DEL MAR Restaurant, neither Franchisee nor any of Franchisee's officers, directors, shareholders, members, partners or other owners, nor any spouse or other immediate family members of Franchisee or any of these individuals (collectively, "**Bound Parties**"), will during the term of this Agreement:

23.2.1. Have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business wherever located or operating;

23.2.2. Perform services as a director, officer, manager, employee, consultant, lessor, representative, agent, or otherwise for a Competitive Business, wherever located or operating; or

23.2.3. Divert or attempt to divert any business related to the TACO DEL MAR Restaurant, Franchisor's business, or any other TACO DEL MAR franchisee by direct inducement or otherwise or divert or attempt to divert the employment of any employee of Franchisor or any of its affiliates to any Competitive Business; provided, however, neither Franchisee nor the other Bound Parties will be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent five percent (5%) or less of that class of securities issued and outstanding. Franchisee agrees that nothing in this Section 24 will be construed to grant Franchisee any protected territory.

23.3 Post-Termination Covenant Not to Compete. For a period of two (2) years from the effective date of termination, non-renewal, or expiration of this Agreement for any reason, neither Franchisee nor any other Bound Party will have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, lessor, representative, agent, or in any other capacity in any Competitive Business located or operating within a five (5) mile radius of the former Franchised Location (including at the former Franchised Location) or within a five (5) mile radius of any other TACO DEL MAR Restaurant existing on the effective date of termination, non-renewal, or expiration of this Agreement. The restrictions of this Section will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of that class of securities issued and outstanding. Franchisee and the other Bound Parties expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

23.4 Injunctive Relief. Franchisee and the Bound Parties agree that the provisions of this Section 24 are necessary to protect the legitimate business interest of Franchisor and its franchisees including, without limitation, preventing the unauthorized dissemination of marketing, promotional and other Confidential Information to competitors of Franchisor and its franchisees, protecting recipes, cooking and food preparation techniques and other trade secrets, protecting the integrity of the System, preventing duplication of the System by unauthorized third parties, preventing damage to and/or loss of goodwill associated with the Marks and protecting Franchisor's intellectual property rights. Franchisee and the Bound Parties also agree that damages alone cannot adequately compensate the Franchisor if there is a breach of this Section 24 by Franchisee or any of the Bound Parties, and that injunctive relief against Franchisee is essential for the protection of Franchisor and its franchisees. Franchisee and the Bound Parties therefore agree that, if Franchisor alleges that Franchisee or any Bound Parties have breached this Section 24, then Franchisor will have the right to petition a court of competent jurisdiction for injunctive relief against Franchisee and the Bound Parties, in addition to all other remedies that may be available to Franchisor. Franchisor will not be required to post a bond or other security for any injunctive proceeding. If Franchisor is granted ex parte injunctive relief against Franchisee or any of the Bound Parties, then Franchisee or the Bound Parties will have the right to petition the court for a hearing on the merits at the earliest time convenient to the court.

24. DISPUTE RESOLUTION

24.1 **Arbitration.** Franchisor and Franchisee agree that any controversy, dispute, or claim arising out of relating to this Agreement, the relationship between Franchisor (and/or its affiliates) and Franchisee (and/or any of the Bound Parties) created by this Agreement, or any breach of this Agreement, excluding any claim directly relating to the Confidential Information or the Marks, will be submitted for binding arbitration, on demand of either party, to the American Arbitration Association.

24.1.1. **Proceedings; Final Decision.** The arbitration proceedings will be conducted by one arbitrator and, except as this Section 25 otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within fifty (50) miles of Franchisor's then-current principal place of business (currently, Denver, Colorado). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.). The decision of the arbitrator will be final and binding upon each party and may be enforced in any court of competent jurisdiction.

24.1.2. **Temporary Injunctive Relief Not Barred.** Nothing herein contained will bar the right of either party to seek and obtain temporary injunctive relief from a State or Federal court of competent jurisdiction in accordance with applicable law against threatened conduct that will cause loss or damage, pending completion of the arbitration.

24.1.3. **Potential Awards.** The arbitrator has the right to award, or include in his or her award, any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any of the trademarks owned by Franchisor or its affiliates generic or otherwise invalid or, except as expressly provided in Section 25.6, award any punitive, exemplary, or multiple damages against any party to the arbitration proceeding (Franchisor and Franchisee hereby waive, to the fullest extent permitted by law, any such right to or claim for any punitive, exemplary, or multiple damages against any party to the arbitration proceedings).

24.1.4. **Limitations; Counterclaims; Settlement Discussions.** Franchisor and Franchisee agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. Franchisor and Franchisee further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisor or Franchisee.

24.1.5. **Individual Basis.** It is the intent of the parties that any arbitration between Franchisor and Franchisee will be of Franchisee's individual claim and that the claim subject to arbitration will not be arbitrated on a class-wide basis, consolidated with any other arbitration proceeding, or brought on Franchisee's behalf by any association or agent. If any court or arbitrator determines that all or any part of the preceding sentence is

unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause will not apply to that dispute, controversy or claim and that such dispute, controversy or claim will be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

24.1.6. **Discovery.** Franchisor and Franchisee agree that, in any arbitration arising as described in this Section 25, requests for documents will be limited to documents that are directly relevant to significant issues in the case or to the case's outcome; will be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain; and will not include broad phraseology such as "all documents directly or indirectly related to." Franchisee and Franchisor further agree that no interrogatories or requests to admit will be propounded. With respect to any electronic discovery, Franchisor and Franchisee agree that:

24.1.6.1. Production of electronic documents need only be from sources used in the ordinary course of business. No such documents will be required to be produced from back-up servers, tapes or other media;

24.1.6.2. The production of electronic documents will normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;

24.1.6.3. The description of custodians from whom electronic documents may be collected will be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the dispute; and

24.1.6.4. Where the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator will either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, subject to allocation of costs in the final award as provided herein.

24.1.6.5. Each party may take no more than three depositions. Each party's depositions are to consume no more than a total of fifteen (15) hours, and each deposition will be limited to five (5) hours. There are to be no speaking objections at the depositions, except to preserve privilege.

24.1.7. **Survival; Applicability.** The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Any provisions of this Agreement below that pertain to judicial proceedings will be subject to the agreement to arbitrate contained in this Section.

24.2 **Governing Law.** All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.), or other federal law, this Agreement will be interpreted under the laws of the State of Colorado, and any dispute between the parties, whether arising under this Agreement or from any other aspect of the parties' relationship, will be governed by and determined in accordance with the substantive laws of the State of Colorado, which laws will prevail in the event of any conflict of law.

24.3 **Consent to Jurisdiction.** Subject to the parties' obligation to arbitrate as provided in Section 25.1, the parties agree that the exclusive forum for disputes between them will be in the District Court for the City and County of Denver, Colorado, or the United States District Court for the District of Colorado, and each party waives any objection it might have to the personal jurisdiction of or venue in such courts.

24.4 **Waiver of Jury Trial.** Franchisor, Franchisee, and the Bound Parties each waive their right to a trial by jury. Franchisee, the Bound Parties, and Franchisor acknowledge that the parties' waiver of jury trial rights provides the parties with the mutual benefit of uniform interpretation of this Agreement and resolution of any dispute arising out of this Agreement or any aspect of the parties' relationship. Franchisee, the Bound Parties, and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

24.5 **Damages.** In the event this Agreement is terminated (i) by Franchisor based on Franchisee's default or (ii) due to the wrongful termination by Franchisee, the parties agree that it would be difficult, if not impossible, to determine the amount of damages that Franchisor would suffer due to the loss or interruption of the revenue stream Franchisor otherwise would have derived from Franchisee's continued payment of Royalties and that the Marketing Fund and Local Advertising Cooperatives would have otherwise derived from Franchisee's continued contributions to those funds, less any cost savings, through the remainder of the term of this Agreement (collectively, the "**Damages**"). Therefore, the parties agree that a reasonable estimate of the Damages is the net present value of the Royalties and Marketing Fees that would have become due following any early termination of this Agreement for the period this Agreement would have remained in effect but for Franchisee's default ("**Measurement Period**"). For this purpose, Damages will be calculated by multiplying (1) the number of calendar months in the Measurement Period by (2) the aggregate percentages of the Royalties and Marketing Fees by (3) the average monthly Gross Sales of the TACO DEL MAR Restaurant during the twelve (12) full calendar months immediately preceding the termination date; however, if as of the termination date, the TACO DEL MAR Restaurant has not been operating for at least twelve (12) months, Damages will be calculated based on the average monthly Gross Sales during Franchisor's previous fiscal year immediately preceding the termination date of all TACO DEL MAR Restaurants during the entirety of that fiscal year. The parties agree that the calculation described in this Section is a calculation only of the Damages and that nothing herein will preclude or limit Franchisor from proving and recovering any other damages caused by Franchisee's breach of the Agreement.

24.6 **Limitation of Claims.** Franchisee and the Bound Parties agree not to bring any claim asserting that any of the Marks are generic or otherwise invalid. Except with regard to Franchisee's obligation to pay Franchisor and its affiliates Royalty payments, the Marketing Fee

and other advertising fees, and other payments due from Franchisee pursuant to this Agreement or otherwise, any claims between the parties must be commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim, or such claim will be barred. The parties understand that such time limit might be shorter than otherwise allowed by law. Franchisee and the Bound Parties agree that their sole recourse for claims arising between the parties will be against Franchisor or its successors and assigns. Franchisee and the Bound Parties agree that the members, managers, shareholders, directors, officers, employees, and agents of Franchisor and its affiliates will not be personally liable nor named as a party in any action between Franchisor and Franchisee or any Bound Party. Franchisor, Franchisee, and the Bound Parties further agree that, in connection with any such proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed as described above will be forever barred. The parties agree that any proceeding will be conducted on an individual basis, and that a proceeding between Franchisor and Franchisee or the Bound Parties may not be conducted on a class-wide basis, consolidated with another proceeding, or brought on Franchisee's or a Bound Party's behalf by any association or agent. Except for Franchisee's obligation to indemnify Franchisor under Section 22.1, no party will be entitled to an award of punitive or exemplary damages (provided that this limitation will not apply to statutory penalties such as those set forth in 15 U.S.C. § 1117(a)). No previous course of dealing will be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing will be used to alter the express terms of this Agreement.

25. NOTICES

All notices required to be given under this Agreement must be given in writing, by certified mail, return receipt requested, or by any delivery service providing documentation of receipt, at the addresses set forth below, and will be deemed delivered (a) on the date shown on the return receipt or in the courier's records as the date of delivery or (b) on the date of first attempted delivery, if actual delivery cannot for any reason be made.

Notices to Franchisor:	Legal Department TDMF Holdings, LLC 4700 S. Syracuse St., Suite 225 Denver, CO 80237
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With a copy to:	_____

Notices to Franchisee:	_____

With a copy to:	_____

26. ENFORCEMENT

26.1 **Injunctive Relief.** Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief against conduct that threatens to injure or harm Franchisor, the Marks, or the TACO DEL MAR franchise system, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions (subject to Franchisor's obligation to arbitrate the underlying claim if required by Section 25.1). Franchisee agrees that Franchisor may obtain such injunctive relief. Franchisee agrees that Franchisor will not be required to post a bond to obtain injunctive relief and that Franchisee's only remedy if an injunction is entered against Franchisee will be the dissolution of that injunction, if warranted, upon due hearing, and Franchisee hereby expressly waives any claim for damages caused by such injunction.

26.2 **Costs and Attorneys' Fees.** If either party initiates a judicial or other proceeding, the prevailing party will be entitled to reasonable costs and expenses (including reasonable attorneys' fees) incurred in connection with such judicial or other proceeding.

26.3 **No Right to Set Off.** Franchisee will not be allowed to set off amounts owed to Franchisor or its affiliates for Royalties, fees, or other amounts due against any monies owed to Franchisee, which right of set off is hereby expressly waived by Franchisee.

26.4 **Severability.** If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, such provision will be deemed modified to eliminate the invalid element, and, as so modified, such provision will be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement will not be affected by such modification.

26.5 **No Waiver.** No waiver of any condition or covenant contained in this Agreement, or failure to exercise a right or remedy, by Franchisor or Franchisee will be considered to imply or constitute a further waiver by Franchisor or Franchisee of the same or any other condition, covenant, right, or remedy.

27. MISCELLANEOUS PROVISIONS

27.1 **Franchisor's Rights.** Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

27.2 **Franchisor's Reasonable Business Judgment.** Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises reasonable business judgment ("Reasonable Business Judgment") in making a decision or exercising a right. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decisions or actions are intended, in whole or significant part, to promote or benefit the System

generally even if the decision or action also promotes Franchisor's financial or other individual interests. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

27.3 **Modification.** No amendment, waiver, or modification of this Agreement will be effective unless it is in writing and signed by Franchisor and Franchisee. Franchisee acknowledges that Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent to which Franchisor deems necessary to protect, promote, or improve the Marks and the quality of the System as long as such modifications are not specifically prohibited by this Agreement.

27.4 **Entire Agreement.** This Agreement contains the entire agreement between the parties and supersedes and terminates any and all prior agreements, either oral or in writing, between the parties involving the franchise relationship; therefore, representations, inducements, promises, agreements, or claims of negligent or fraudulent misrepresentation alleged by either Franchisor or Franchisee that are not contained in this Agreement will not be enforceable. Franchisee further acknowledges and agrees that no representations have been made to it by Franchisor or its affiliates regarding projected sales volumes, market potential, revenues, profits of Franchisee's TACO DEL MAR Restaurant, or operational assistance other than as stated in this Agreement or in any Franchise Disclosure Document provided by Franchisor or its representatives. The parties hereby acknowledge that this provision will not act as a disclaimer of the representations made by the Franchisor in the Franchise Disclosure Document provided to Franchisee prior to the execution of this Agreement by Franchisee.

27.5 **Delegation by Franchisor.** Franchisor will have the right to delegate the performance of any portion or all of its obligations and duties under this Agreement to third parties, whether the same are agents or affiliates of Franchisor or independent contractors with which Franchisor has contracted to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations under this Agreement to all such third parties. Franchisee acknowledges and agrees that Franchisor may not be bound, and this Agreement may not be modified, by any third party without Franchisor's prior written consent. Franchisee acknowledges and agrees that any delegation of Franchisor's duties and obligations to third parties does not assign or confer any rights under this Agreement upon such third parties and that such third parties are not third party beneficiaries of this Agreement.

27.6 **Review of Agreement; Execution.** Franchisee acknowledges that it has had a copy of Franchisor's Franchise Disclosure Document in its possession for not less than fourteen (14) full calendar days, during which time Franchisee has had the opportunity to submit same for professional review and advice of Franchisee's choosing prior to freely executing this Agreement. Franchisee agrees to sign and return this Agreement within twenty (20) calendar days from the date it receives execution copies from Franchisor. In the event Franchisee fails to return signed originals of this Agreement to Franchisor within such twenty (20) days, Franchisor may withdraw its offer to Franchisee under this Agreement by notice to Franchisee.

27.7 **Force Majeure.** Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party will be liable or responsible for any delays due to strikes, lockouts, casualties, acts of God, war, government regulation or control or other causes beyond the reasonable control of the parties, and in any event said time period for the performance of an obligation hereunder will be extended for the amount of time of the delay. This clause will not apply or not result in an extension of the term of this Agreement.

27.8 **Survival.** All of Franchisor's and Franchisee's (and its owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effort subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire (including, without limitation, the post-termination restrictive covenant, dispute resolution and notice, and confidentiality provisions).

27.9 **Acknowledgments.** Before signing this Agreement, Franchisee should read it carefully with the assistance of legal counsel. Franchisee acknowledges that:

27.9.1. THE SUCCESS OF THIS BUSINESS VENTURE INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND

27.9.2. FRANCHISEE HAS NOT BEEN GIVEN ANY ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, BY FRANCHISOR OR ITS REPRESENTATIVES AS TO THE POTENTIAL SUCCESS OF THE TACO DEL MAR RESTAURANT, THE VIABILITY OF ANY TACO DEL MAR RESTAURANT LOCATION OR THE EARNINGS LIKELY TO BE ACHIEVED FROM THE OPERATION OF THE TACO DEL MAR RESTAURANT, NOR HAS FRANCHISEE RELIED UPON ANY SUCH ASSURANCE OR WARRANTY IN EXECUTING THIS AGREEMENT; AND

No statement, representation, or other act, event, or communication, except as set forth in this document and in any Franchise Disclosure Document supplied to Franchisee, is binding on Franchisor in connection with the subject matter of this Agreement.

27.10 **Agreement Effective.** This Agreement will not be effective until accepted by Franchisor as evidenced by dating and signing by an officer or other duly-authorized representative of Franchisor. Notwithstanding the foregoing, Franchisor reserves the right to make the Effective Date of this Agreement the date on which Franchisee signed the Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date stated below.

TDMF HOLDINGS, LLC

By: _____

Title: _____

*Date: _____

*(Effective Date of Franchise Agreement)

FRANCHISEE:

Sign here if you are taking the franchise as an
INDIVIDUAL(S)

(Note: use these blocks if you marked in Exhibit B
that you are an individual or a partnership but the
partnership is not a separate legal entity)

Signature

Print Name: _____

Date: _____

Signature

Print Name: _____

Date: _____

Signature

Print Name: _____

Date: _____

Signature

Print Name: _____

Date: _____

Sign here if you are taking the franchise as a
**CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP**

____Print Name of Legal Entity

By: _____

Signature

Print Name: _____

Title: _____

Date: _____

EXHIBIT A

Specific Address of Franchised Location:

Protected Area:

Initial Franchise Fee:

- ☐ Ten Dollars (\$10,000) for a single unit
- ☐ Ten Thousand Dollars (\$10,000) for a subsequent single unit pursuant to a Multi-Unit Development Agreement

Designated Operating Partner: The following individual is the Designated Operating Partner (if Franchisee is a corporation, partnership, or limited liability company, the Designated Managing Partner must own at least 10% of such corporation, partnership, or limited liability company):

EXHIBIT B

STATEMENT OF OWNERSHIP

Form of Ownership
(Check One)

____ Individual(s)

____ Legal Entity (check one):

____ Partnership

____ Corporation

____ Limited Liability Company

If a legal entity, attach a copy of the certificate of formation or articles of partnership and provide the following information:

(A) the name, address and percentage of ownership of each owner, member or partner and indicate whether each such person will be active in the business:_____

_____.

(B) if a corporation, the name and address of each officer and director:

_____.

Provide the address where Franchisee's financial records and partnership, corporate, or company records, as applicable, are maintained (Franchised Location will be deemed to be the address unless otherwise stated below):

EXHIBIT C

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (“**Agreement**”) by TDMF HOLDINGS, LLC (“**Franchisor**”), each of the undersigned hereby personally and unconditionally:

- (a) Guarantees to Franchisor and its successors and assigns, for the term of the Agreement, including renewals, that Franchisee as that term is defined in the Agreement (“**Franchisee**”) shall punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and any successor term thereof; and
- (b) Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (and any renewals thereof), including, but not limited to, those specifically identified below.

Each of the undersigned waives the following:

- 1. Acceptance and notice of acceptance by Franchisor of the foregoing undertaking;
- 2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- 3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- 4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability.
- 5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

- 1. His or her direct and immediate liability under this Guaranty and Assumption of Franchisee's Obligations shall be joint and several;
- 2. He or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
- 3. Such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person;
- 4. Such liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty and

Assumption of Franchisee's Obligations, which shall be continuing and irrevocable during the term of the Agreement, including any renewals thereof;

5. He or she shall be bound by any restrictive covenants, confidentiality provisions, and indemnification provisions contained in the Agreement;
6. If the undersigned is a business entity, retirement or investment account, or trust, it acknowledges and agrees that if Franchisee (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, then no dividends or distributions may be made by the undersigned (or on the undersigned's account) to its owners, accountholders, or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law;
7. If no signature appears below for his or her spouse, he or she is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of the marital estate; and

Each of the undersigned agrees that the following sections in the Agreement are incorporated into this Guaranty and Assumption of Franchisee's Obligations and will govern any disputes between the undersigned and Franchisor: Section 24.1 (Arbitration), Section 24.2 (Governing Law), Section 24.3 (Consent to Jurisdiction), and Section 23.4 (Injunctive Relief) of the Agreement; and

8. The prevailing party in any litigation arising out of or relating to this Guaranty and Assumption of Franchisee's Obligations shall be entitled to recover from the other party reasonable costs and expenses (including reasonable attorneys' fees incurred in connection with such judicial or other proceeding).

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

GUARANTOR(S):

SIGNATURE

SIGNATURE

NAME - TYPED OR PRINTED

NAME - TYPED OR PRINTED

ADDRESS

ADDRESS

SIGNATURE

SIGNATURE

NAME - TYPED OR PRINTED

NAME - TYPED OR PRINTED

ADDRESS

ADDRESS

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty and Assumption of Franchisee's Obligations.

NAME OF GUARANTOR

NAME OF GUARANTOR

NAME OF GUARANTOR'S SPOUSE

NAME OF GUARANTOR'S SPOUSE

SIGNATURE OF GUARANTOR'S SPOUSE

SIGNATURE OF GUARANTOR'S SPOUSE

NAME OF GUARANTOR

NAME OF GUARANTOR

NAME OF GUARANTOR'S SPOUSE

NAME OF GUARANTOR'S SPOUSE

**SIGNATURE OF GUARANTOR'S
SPOUSE**

**SIGNATURE OF GUARANTOR'S
SPOUSE**

EXHIBIT D

FORM OF LEASE ADDENDUM

**TDMF HOLDINGS, LLC
LEASE ADDENDUM**

This Addendum to Lease (“**Addendum**”), dated _____, is entered into by and between _____ (“**Tenant**”) and _____ (“**Landlord**”). In the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease to which it is attached, the terms and provisions of this Addendum will control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. All defined terms not specifically defined in this Addendum will be given the same meaning as the defined terms in the Lease.

BACKGROUND

A. The parties hereto have entered into a certain Lease Agreement (“**Lease**”), dated _____, and pertaining to the premises located at _____ (“**Premises**”).

B. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

AGREEMENT

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Tenant and Landlord as follows:

1. Acknowledgement of Franchise Relationship. Landlord acknowledges that Tenant intends to operate a TACO DEL MAR restaurant (a “**TACO DEL MAR Restaurant**”) at the Premises, and that Tenant’s rights to operate a TACO DEL MAR Restaurant and to use the TACO DEL MAR name, trademarks and service marks (the “**Marks**”) are solely pursuant to a franchise agreement (“**Franchise Agreement**”) between Tenant and TDMF HOLDINGS, LLC (“**Franchisor**”). Tenant’s operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Landlord agrees not to take an action that would prohibit Tenant from operating the TACO DEL MAR Restaurant, as contemplated by the Franchise Agreement, at the Premises.

2. Consent to Collateral Assignment to Franchisor. Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant’s interest in this Lease to Franchisor to secure Tenant’s obligations to Franchisor under the Franchise Agreement, (ii) Franchisor’s succeeding to Tenant’s interest in the Lease as a result of Franchisor’s exercise of rights or remedies under such collateral assignment or as a result of Franchisor’s termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant’s, Franchisor’s and/or any other franchisee of Franchisor’s assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord agrees that to the extent

Franchisor becomes Tenant, for howsoever brief a period, upon assumption of lease pursuant to this provision, that simultaneously with any subsequent assignment to another party, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment; provided, that neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor, unless otherwise agreed by Landlord.

3. Tenant's Signage. Landlord agrees to allow Tenant to use Franchisor's standard interior and exterior signage and designs to the maximum extent permitted by local governmental authorities. Tenant shall be provided, at Tenant's sole cost and expense, with a panel on any pylon/monument/directory sign for the development in which the Premises is located and shall be permitted to install a standard sign thereon approved by Franchisor, including without limitation Franchisor's logo. Landlord hereby grants and approves Tenant the right to display the Marks at the Premises, subject only to the provisions of applicable law.

4. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing on receipt thereof by Franchisor, Franchisor shall have fifteen (15) additional days to the established cure period as is given to Tenant under the Lease for such default to cure such defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

TDMF HOLDINGS, LLC
4700 S. Syracuse St., Suite 225
Denver, Colorado 80237
Telephone: (720) 359-3300
Attention: Legal Department

5. Non-disturbance from Mortgage Lenders. It shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Lease and the Franchise Agreement, beyond an applicable grace or cure period provided therein.

6. Fixtures and Signage. Any lien of Landlord in Tenant's trade fixtures, 'trade dress', signage and other property at the Premises is hereby subordinated to Franchisor's interest in such items as described in the Franchise Agreement. On request, Landlord shall grant the party who owns such property reasonable access to the Premises for the sole purpose of removing such property, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access.

7. Third-Party Beneficiary. Franchisor is a third-party beneficiary of the terms of this Addendum, or any other terms of the Lease applicable to Franchisor's rights under the Lease, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

8. Franchisor Right to Enter. Landlord acknowledges and agrees that Franchisor or

its designee may enter the Premises for all purposes permitted under the terms of the Franchise Agreement, including to inspect the Premises and the TACO DEL MAR Restaurant's operations, to manage the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit: Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the location), or to remove any trade fixtures or signage upon termination or expiration of the Franchise Agreement. If Franchisor enters the Premises for any such purposes, it will do so without assuming any liability under the Lease.

9. Amendments. Tenant agrees that neither the Lease nor this Addendum may be amended by the parties thereto without the prior written consent of Franchisor.

10. Successors and Assigns. All of Franchisor's rights, privileges and interests under this Addendum and the Lease shall inure to the benefit of Franchisor's successors and assigns. All provisions in this Addendum applicable to Tenant and Landlord shall be binding on any successor or assign of Tenant or Landlord under the Lease.

11. Execution. This Addendum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement with the Lease. This Addendum and all other documents related to this Addendum may be executed by manual or electronic signature.

12. Return of Executed Lease. Within ten (10) days of execution, Landlord agrees to return to Tenant a fully executed, original Lease, with a copy to:

TDMF HOLDINGS, LLC
4700 S. Syracuse St., Suite 225
Denver, Colorado 80237
Telephone: (720) 359-3300
Attention: Legal Department

[SIGNATURE PAGE TO FOLLOW]

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD: _____

TENANT: _____

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____



EXHIBIT C

FORM OF MULTI-UNIT DEVELOPMENT AGREEMENT



TDMF HOLDINGS, LLC
MULTI UNIT DEVELOPMENT AGREEMENT

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EXHIBIT

EXHIBIT A: Development Territory, Development Rights and Development Schedule

**TDMF HOLDINGS, LLC
MULTI-UNIT DEVELOPMENT AGREEMENT**

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (this “**Agreement**”) is made and entered into by and between TDMF HOLDINGS, LLC, a Delaware limited liability company with its principal business address at 4700 S. Syracuse St., Suite 225, Denver, Colorado 80237 (“**Franchisor**”) and _____ (“**Developer**”). This Agreement is made effective as of the date signed by Franchisor and set forth below Franchisor’s signature on this Agreement (“**Effective Date**”).

1. INTRODUCTION

1.1 Franchisor and its affiliates have developed a distinctive business system for establishing, operating, and franchising restaurants offering Mexican-style food items, including but not limited to tacos, nachos, burritos, quesadillas, salads, other food products and beverages, and related restaurant, delivery and carry out services (“**TACO DEL MAR Restaurant**” or “**TACO DEL MAR Restaurants**”), which are associated with the Marks (as defined below), copyrights, distinctive interior and exterior building designs, décor, furnishings, menus, uniforms, signs, color combinations, uniformity requirements, standards of consistency and quality, procedures, cleanliness, sanitation, controls, specifications, training, marketing, advertising, techniques, and instructions promulgated by Franchisor (“**System**”), and has extensively publicized the name “TACO DEL MAR®” to the public as an organization of restaurant businesses operating under the System.

1.2 Franchisor has the right and authority to license the use of the name “TACO DEL MAR®” and the other trademarks, trade names, service marks, logos, commercial symbols, phrases, slogans and tag lines designated by Franchisor in writing which are owned by Franchisor’s parent and licensed to Franchisor (“**Marks**”) for use in connection with the System to selected persons, businesses or Entities that will comply with Franchisor’s uniformity requirements and quality standards.

1.3 Developer desires to develop, own, and operate three (3) or more TACO DEL MAR Restaurants in conformity with the System and Franchisor’s uniformity requirements and quality standards as established and promulgated from time to time by the Franchisor. Developer understands and acknowledges the benefits to be derived from being identified and associated with Franchisor, and being able to utilize the TACO DEL MAR Restaurant system and concepts, and therefore desires to establish multiple TACO DEL MAR Restaurants at accepted locations.

Pursuant to this Introduction and in consideration of the mutual promises and covenants set forth in this Agreement, Franchisor and Developer agree and contract as follows:

2. GRANT OF DEVELOPMENT RIGHTS

2.1 **Grant of Development Rights.** Subject to the provisions of this Agreement, Franchisor hereby grants to Developer the right, and Developer undertakes the obligation, to develop, own, and operate the number of TACO DEL MAR Restaurants set forth in **Exhibit A** to this Agreement (collectively, the “**Development Rights**”) within the territory described in **Exhibit**

A to this Agreement (“**Development Territory**”). The Development Rights must be exercised in strict compliance with the mandatory development schedule set forth in Exhibit A to this Agreement (“**Development Schedule**”) and may only be exercised during the Development Term (defined below). Franchisor will not establish, nor franchise to anyone other than Developer to establish any TACO DEL MAR Restaurant in the Development Territory prior to the expiration of the Development Term. Franchisor retains the right, at all times, to grant other Multi-Unit Development Agreements or individual franchises or establish affiliate-owned restaurants under the same or different Marks outside the Development Territory as Franchisor, in its sole determination, deems appropriate, except as provided herein.

2.2 **Development Schedule.** Exhibit A to this Agreement sets forth the Development Schedule. Developer acknowledges and agrees that Developer or an Approved Affiliate (defined below) will, by the dates provided for in the Development Schedule, sign individual Franchise Agreements for, and have open and in operation, the number of TACO DEL MAR Restaurants described in the Development Schedule. Developer or its Approved Affiliate (defined below) must develop, open, and operate the TACO DEL MAR Restaurants pursuant to Franchise Agreements as necessary to satisfy the requirements of the Development Schedule. The Development Schedule is not Franchisor’s representation, express or implied, that there are or will be sufficient sites for, the number of TACO DEL MAR Restaurants specified in the Development Schedule. Franchisor is relying on Developer’s representation that Developer has conducted its own independent investigation and has determined that it can satisfy the development obligations under the Development Schedule. Notwithstanding the foregoing, Developer acknowledges and agrees that the development obligations set forth in this Section 2 will only be satisfied by the development, opening, and operation of new TACO DEL MAR Restaurants, and not by any other type of restaurant, including, without limitation, non-traditional restaurants or TACO DEL MAR Restaurants that Developer has purchased from an existing TACO DEL MAR developer for purposes of transferring the franchise associated with such TACO DEL MAR Restaurant. For purposes of determining compliance with the Development Schedule, only the TACO DEL MAR Restaurants actually open and continuously operating for business in the Development Territory as of a given date will be counted toward the number of TACO DEL MAR Restaurants required to be open and continuously operating for business. For purposes of this Agreement, an “**Approved Affiliate**” is a corporation, limited liability company, general, limited or limited liability partnership, or another form of business entity (each an “**Entity**”) whose controlling interest is identical to that of Developer.

2.3 **Separate Franchise Agreements.** Each TACO DEL MAR Restaurant will be established and operated pursuant to a separate and then current form of franchise agreement to be entered into by Developer and Franchisor (each, a “**Franchise Agreement**”) with Franchisor. Upon entering into this Agreement, Developer and Franchisor will sign a Franchise Agreement for the first TACO DEL MAR Restaurant to be developed under this Agreement (“**Initial Franchise Agreement**”). Developer and Franchisor will then enter into a Franchise Agreement for each subsequent TACO DEL MAR Restaurant (each a “**Subsequent Franchise Agreement**”) in accordance with Section 2.4 below. Developer acknowledges and agrees that each Subsequent Franchise Agreement may have terms and conditions that differ substantially from any or all of the terms and conditions of the Initial Franchise Agreement. The Initial Franchise Agreement and all Subsequent Franchise Agreements are collectively referred to herein as the “**Development Franchise Agreements.**”

2.4 **Application and Authorization.** Developer will not enter into any lease or agreement to purchase any site for a TACO DEL MAR Restaurant until Franchisor has authorized such site. Developer will submit to Franchisor a separate application for each TACO DEL MAR Restaurant and a description of the proposed site and such other information or materials as Franchisor may reasonably require for site authorization, all in the form required by Franchisor. Franchisor has the absolute right to not authorize any site that does not meet Franchisor's then-current criteria. Upon authorization of the proposed site for a TACO DEL MAR Restaurant by Franchisor, Franchisor and Developer (or its Approved Affiliate) will then enter into a Subsequent Franchise Agreement, as described above in Section 2.3 above. Upon execution of such Subsequent Franchise Agreement, Developer will pay the Reduced Initial Franchise Fee set forth in Section 3.2, and the terms and conditions of such Franchise Agreement will govern the establishment and operation of such TACO DEL MAR Restaurant. If Developer or an Approved Affiliate fails to enter into the Subsequent Franchise Agreement within 180 days after Franchisor authorizes the proposed site, Franchisor may withdraw its authorization.

2.5 **No Subfranchising or Sublicensing Rights.** The Development Rights are limited to the rights to acquire the right to develop, open, and operate franchises for TACO DEL MAR Restaurants in accordance with this Agreement. The Development Rights do not include any right to franchise, license, subfranchise, or sublicense others to operate a TACO DEL MAR Restaurant or use the System or the Marks. Only Developer (or an Approved Affiliate) may develop, open, and operate TACO DEL MAR Restaurants pursuant to this Agreement. This Agreement does not give Developer (or an Approved Affiliate) any independent right to use the Marks or any copyrights or patents owned by Franchisor or its affiliates. Those rights are granted only pursuant to individual Franchise Agreements.

3. FEES

3.1 **Development Fee.** As consideration for the rights and options granted herein, Developer must pay to Franchisor, upon signing this Agreement, a development fee ("**Development Fee**") in the amount designated in **Attachment A** which is equal to the full amount of the Initial Franchise Fee for the first TACO DEL MAR Restaurant to be developed by Developer under this Agreement plus Five Thousand Dollars (\$5,000) for each of the subsequent TACO DEL MAR Restaurants to be developed by Developer pursuant to this Agreement. This Development Fee will be deemed fully earned and non-refundable upon payment and is to compensate Franchisor for the grant of these rights and options. The Development Fee is not refundable under any circumstances, including but not limited to if Developer does not open the number of TACO DEL MAR Restaurants set forth in the Development Schedule.

3.2 **Reduced Initial Franchise Fee.** Upon entering into a Subsequent Franchise Agreement to operate the second and any subsequent TACO DEL MAR Restaurant pursuant to this Agreement, Developer will pay to Franchisor a reduced Initial Franchise Fee ("**Reduced Initial Franchise Fee**") equal to Ten Thousand Dollars (\$10,000) for each such TACO DEL MAR Restaurant instead of the initial franchise fee otherwise required by Franchisor's then current form of Franchise Agreement.

4. TERM

4.1 **Development Term.** The Development Rights will commence as of the Effective Date and, except as otherwise provided herein, will end on the date on which the last TACO DEL MAR Restaurant required to be opened under the Development Schedule commences operations in accordance with the corresponding Subsequent Franchise Agreement (“**Development Term**”).

5. DEFAULT AND TERMINATION

5.1 **Insolvency and Related Developments.** Developer will be deemed in default under this Agreement, and all rights granted herein will automatically terminate without notice if Developer becomes insolvent by reason of any affirmative act of insolvency by Developer, or the filing by trustee, or an assignment by Developer for the benefit of creditors, or the failure to vacate or dismiss within thirty (30) days after filing any such proceedings commenced against Developer by a third party, or termination or default under the terms and conditions set forth in the individual Development Franchise Agreements under this Agreement.

5.2 **Defaults.** If any of the following occur, such action will constitute a default under this Agreement:

5.2.1 Developer fails to comply with the Development Schedule; or

5.2.2 Developer is in breach of any provision of this Agreement; or

5.2.3 Developer makes any material misrepresentation or omission on any application, report, claim, financial statement, or similar document submitted to Franchisor; or

5.2.4 The Initial Franchise Agreement or any other Subsequent Franchise Agreement executed by Developer (or an Approved Affiliate), including but not limited to any Development Franchise Agreement, is terminated for any reason; or

5.2.5 Developer or the Approved Affiliate, as applicable, is in default under the Initial Franchise Agreement or any other Subsequent Franchise Agreement, including but not limited to any Development Franchise Agreement, and has not cured or otherwise remedied such default within the applicable cure period provided for in the applicable Development Franchise Agreement, if any, regardless of whether or not Franchisor subsequently terminates such Initial Franchise Agreement or Subsequent Franchise Agreement, as the case may be; or

5.2.6 Developer makes or attempts to make a transfer or assignment in violation of Section 6.

5.3 **Franchisor Rights Upon Default by Developer.** Upon such default, Franchisor, in its sole determination, has the right to do any one or more of the following:

5.3.1 Terminate this Agreement and all rights granted hereunder without affording Developer any opportunity to cure the default, effective immediately upon receipt by Developer of written notice from Franchisor; and

5.3.2 Reduce the number of TACO DEL MAR Restaurants to be developed under this Agreement; and

5.3.3 Terminate or reduce in any manner, in Franchisor's sole determination, the Development Territory granted to Developer in Section 2.1 of this Agreement; and

5.3.4 Exercise any other rights and remedies which Franchisor may have.

5.4 **Effects of Termination of this Agreement.** Upon termination of this Agreement, all remaining Development Rights granted Developer to establish TACO DEL MAR Restaurants under this Agreement will automatically be terminated and will be null and void. Developer will have no right to establish or operate any business for which a Franchise Agreement has not been executed by Franchisor. Franchisor or an affiliate of Franchisor will be entitled to establish, and to license others to establish, TACO DEL MAR Restaurants in the Development Territory.

6. ASSIGNMENT

6.1 **Assignment.** Except as specifically set forth below, this Agreement and the Development Rights are not assignable. If Franchisor approves a transfer of a Franchise Agreement as provided for in the Development Franchise Agreements, then a transfer of the Development Rights and this Agreement would be deemed to occur and an assignment of this Agreement is prohibited. Notwithstanding the foregoing, Developer may assign this Agreement and the Development Rights to an Entity which conducts no other business than the TACO DEL MAR Restaurant(s) developed and operated under the Franchise Agreement and/or Franchise Agreements executed pursuant to this Agreement, and of which Developer owns and controls 100% of the equity and voting power of all issued and outstanding ownership interests, provided that (i) all of the assets of such TACO DEL MAR Restaurant(s) are owned, and the business of Developer's TACO DEL MAR Restaurant(s) is conducted, only by that single Entity and (ii) the Initial Franchise Agreement is assigned to the Entity in accordance with the terms and conditions of the Initial Franchise Agreement. The Entity must expressly assume Developer's obligations under this Agreement and the Initial Franchise Agreement. Developer will remain personally liable under this Agreement and the Initial Franchise Agreement as if the transfer to the Entity did not occur.

7. DISPUTE RESOLUTION; INDEMNIFICATION

7.1 **Arbitration.** Franchisor and Developer agree that any controversy, dispute, or claim arising out of relating to this Agreement, the relationship between Franchisor (and/or its affiliates) and Developer created by this Agreement, or any breach of this Agreement, excluding any claim directly relating to confidential information or the Marks, will be submitted for binding arbitration, on demand of either party, to the American Arbitration Association in accordance with all of the terms and conditions set forth in the Initial Franchise Agreement.

7.2 **Governing Law.** All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.), or other federal law, this Agreement will be interpreted under the laws of the State of Colorado, and any dispute between the parties, whether arising under this Agreement or from any other aspect of the parties' relationship, will be governed by and determined in accordance with the substantive laws of the State of Colorado, which laws will prevail in the event of any conflict of law.

7.3 **Indemnification.** Developer and any Approved Affiliate will defend at their own cost and indemnify and hold harmless Franchisor, its shareholders, affiliates, and subsidiaries and their respective directors, officers, employees and agents, from and against any and all loss, costs, expenses (including legal and other professional fees and expenses), damages and liabilities, however caused, resulting directly or indirectly from or pertaining to the breach by Developer of its obligations under this Agreement or the use, condition or construction, equipping, decorating, maintenance or operation of any of the TACO DEL MAR Restaurants, including the sale of any food products, service or merchandise sold from any of the TACO DEL MAR Restaurants. Such loss, claims, costs, expenses, damages and liabilities will include, without limitation, those arising from latent or other defects in any of the TACO DEL MAR Restaurants, whether or not discoverable by Franchisor, and those arising from the death or injury to any person or arising from damage to the property of Developer or Franchisor, their agents or employees, or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees or resulted from any strict liability imposed on Franchisor or any of its agents or employees.

8. MISCELLANEOUS

8.1 **Franchisor's Rights.** Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify the requirements of any express limitations set forth in this Agreement.

8.2 **Independent Contractor.** This Agreement does not create a fiduciary relationship between the parties and does not establish Developer as an agent, legal representative, joint venturer, partner, employee or servant of Franchisor for any purpose whatsoever. Developer may not represent to third parties that it is an agent of Franchisor and it is understood between the parties hereto that Developer will be an independent contractor and is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on behalf of Franchisor. Developer will not, without the prior written approval of Franchisor, have any power to obligate Franchisor for any expenses, liabilities, or other obligations, other than as is specifically provided for in this Agreement. Franchisor will not have the power to hire or fire Developer's employees and, except as herein expressly provided, Franchisor may not control or have access to Developer's funds or the expenditures thereof, or in any other way exercise dominion or control over Developer's development business and TACO DEL MAR Restaurants. It is expressly understood and agreed that neither Developer nor any

employee of Developer whose compensation for services is paid by Developer may, in any way, directly or indirectly, expressly or by implication, be construed to be an employee of Franchisor for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings levied or fixed by any city, state, or federal governmental agency.

8.3 **Acknowledgment.** Developer acknowledges and accepts the following:

THE SUCCESS OF THE DEVELOPER IN MANAGING AND OPERATING MULTIPLE TACO DEL MAR RESTAURANTS IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, DEVELOPER'S INDEPENDENT BUSINESS ABILITY. DEVELOPER HAS BEEN GIVEN THE OPPORTUNITY AND BEEN ENCOURAGED TO OBTAIN INDEPENDENT ADVICE FROM LEGAL AND OTHER PROFESSIONALS BEFORE ENTERING INTO THIS AGREEMENT. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT, AND SUPERVISE EMPLOYEES OF THE TACO DEL MAR RESTAURANTS RESTS SOLELY WITH DEVELOPER. DEVELOPER HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY. NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY FRANCHISOR TO INDUCE DEVELOPER TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN. FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY, OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SUCCESS OF THE BUSINESS VENTURE TO DEVELOPER AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER DEVELOPER'S BUSINESS. DEVELOPER ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY FRANCHISOR OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN.

8.4 **Entire Agreement.** This Agreement constitutes the entire understanding of the parties with respect to the development of the Designated Territory, and there are no other representations, warranties, or other agreements expressed or implied between the parties except as specifically listed in this Agreement and the Franchise Disclosure Document. This Agreement will supersede all prior existing agreements between the parties concerning the subject matter of this Agreement. Nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and made effective as of the Effective Date.

TDMF HOLDINGS, LLC

By: _____

Title: _____

Date: _____

(*Effective Date)

DEVELOPER:

Sign here if you are taking the franchise as an
INDIVIDUAL(S)

(Note: use these blocks if you are an individual or a
partnership but the partnership is not a separate
legal entity)

Signature

Print Name: _____

Date: _____

Signature

Print Name: _____

Date: _____

Signature

Print Name: _____

Date: _____

Signature

Print Name: _____

Date: _____

Sign here if you are taking the franchise as a
**CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP**

Print Name of Legal Entity

By: _____

Signature

Print Name: _____

Title: _____

Date: _____

EXHIBIT A

DEVELOPMENT TERRITORY

In accordance with Section 2.1 of this Multi-Unit Development Agreement, the Development Territory is as follows:

DEVELOPMENT FEE: _____

DEVELOPMENT RIGHTS AND DEVELOPMENT SCHEDULE

Developer acknowledges and agrees that a material provision of this Multi-Unit Development Agreement is that the following number of TACO DEL MAR Restaurants must be opened and commence operations in the Development Territory. Developer's first TACO DEL MAR Restaurant must be opened and commence operations in the Development Territory in accordance with the Initial Franchise Agreement signed contemporaneously with this Multi-Unit Development Agreement. All other TACO DEL MAR Restaurants of Developer must be opened and commence operations in the Development Territory in accordance with the following Development Schedule.

TACO DEL MAR Restaurant	Franchise Agreement to be Executed by (Date)	TACO DEL MAR Restaurant to be Opened by (Date)	Cumulative Number of TACO DEL MAR Restaurants to be Opened and Operating no Later than the Opening Date (in previous column)
1			
2			
3			
4			
5			



EXHIBIT D

FINANCIAL STATEMENTS

UNAUDITED FINANCIALS

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 OPINION WITH REGARD TO THE CONTENT OR FORM

REGO Restaurant Group
101 High Bluff CP (Consolidated)
REGO II (TDM) - Balance Sheet - External 05
End of P9 2022

Options: Activity Only

Financial Row	As of P9 2022
---------------	---------------

ASSETS

Current Assets

Cash

10010 - Operating Acct : Canada AP TD0012	\$0.00
10011 - Operating Acct : Canada Ad Operating TD6988	\$0.00
10014 - Operating Acct : Rego II Mktg V4181	\$0.00
10015 - Operating Acct : Rego II Operating V3845	\$0.00
10018 - Operating Acct : Rego II RBC v1552	\$0.00
10030 - Operating Acct : Rego II TDM Mktg V4181	\$140,184.77
10031 - Operating Acct : Rego II TDM Operating V3845	\$237,574.71
10032 - Operating Acct : Rego II TDM RBC v1552	\$498,469.23
10033 - Operating Acct : Rego II TDM GC C5436	\$0.00
10034 - Operating Acct: Rego II TDM GC TD6845	\$1,041.87
10035 - Payroll Acct : Rego II TDM Payroll V3852	\$0.00
10301 - Payroll Acct : Rego II Payroll V3852	\$0.00
10501 - Deposit Acct : Checking Main Concentration V4940	\$0.00
10804 - PPP Acct - REGO Restaurant Holdings II, LLC	\$26.00
10985 - Cash In Transit	\$0.00
10992 - Return Clearing	\$6,909.76

Total - Cash **\$884,206.34**

Accounts and other receivables, net

1200 - Accounts Receivable

12000 - AR	\$71,132.79
Total - 1200 - Accounts Receivable	\$71,132.79
12100 - Vendor Rebate A/R	\$62,942.18
12200 - A/R Other	\$54,378.65
12201 - A/R Non-Trad	\$645.72
12204 - A/R Due To/ Due From HBC	\$37,734.48
12205 - A/R Due To/Due From	\$0.00
12206 - A/R Due To/Due From (TDM)	(\$902,000.30)
12300 - Allowance for Doubtful Accounts	(\$4,621.09)
12400 - Notes Receivable Current portion	\$0.00

Total Accounts Receivable **(\$679,787.57)**

Prepaid expenses

1400 - Ppd Expenses

14010 - Prepaid Business Insurance	(\$5,026.16)
14011 - Prepaid Health Ins	(\$122.69)
14030 - Prepaid Other	(\$297.32)

Total - 1400 - Ppd Expenses **(\$5,446.17)**

Total - Prepaid expenses **(\$5,446.17)**

Total Current Assets **\$198,972.60**

Property and equipment

Fixed Assets

17000 - Furniture & Fixture	\$25,000.00
17200 - Computer Equipment	\$25,492.29

Less accumulated depreciation and amortization

17250 - A/D - Computer Equip	(\$19,039.04)
17050 - A/D - Furniture & Fixture	(\$1,006.42)

Property and equipment, net **\$30,446.83**

Other Assets

19500 - Intangible assets-Trademarks	\$140,000.00
--------------------------------------	--------------

19510 - A/D - Trademarks	(\$59,231.24)
19520 - Intangible assets-Franchise Agreements	\$1,000,000.00
19550 - A/D - Intang Fran Agreements	(\$266,398.34)
Total Other Assets	\$814,370.42
Total ASSETS	\$1,043,789.85
Liabilities & Equity	
Current Liabilities	
Current maturities of long-term debt	
21900 - Current Portion of Long Term Debt	\$0.00
Accounts Payable	
2000 - Accounts Payable	
20100 - AP	\$1,910.42
20175 - AP - Credit Card	\$0.00
Total - 2000 - Accounts Payable	\$1,910.42
Total Accounts Payable	\$1,910.42
Other Current Liability	
20450 - Related Party - Payable	\$156,824.00
2050 - Accrued Liabilities	
20500 - Payroll	
20500 - Payroll	\$7,011.30
20501 - 401k	\$1,336.90
20502 - HSA	\$115.36
Total - 20500 - Payroll	\$8,463.56
20503 - Vacation Accrual	\$0.00
20510 - Employee Benefits	\$0.00
20520 - Bonus	\$10,940.00
20612 - Credit Card Fee Accrual	\$0.00
20615 - Gift Cards	\$28,826.01
20635 - Interest	\$5,619.47
20645 - POS Liability	(\$2,127.42)
20655 - Management Fee Accrual	\$69,228.00
20665 - Assumed Lease Obligation	\$28,245.00
20675 - Credit Card Payable	(\$0.00)
20690 - Other	(\$3,001.23)
Total - 2050 - Accrued Liabilities	\$146,193.39
2100 - Taxes Payable	
21300 - Inc Tax Accrued	\$33,576.45
21500 - GST/HST Payable	\$8,538.22
21510 - GST/HST Liability	\$0.00
21600 - Taxes Payable Other	\$0.00
21705 - Sales Taxes Payable	(\$0.00)
21820 - QST Payable	(\$133.47)
Total - 2100 - Taxes Payable	\$41,981.20
21990 - I/C Liabilities	\$0.00
Total Other Current Liability	\$344,998.59
Deferred revenue	
22000 - Customer Deposits	\$0.00
2800 - Other Deferred Revenue	
28200 - Deferred Initial Franchise Fees	\$41,524.59
Total - 2800 - Other Deferred Revenue	\$41,524.59
Total deferred revenue	\$41,524.59
Total Current Liabilities	\$388,433.60
Long-term liabilities	
Long-term debt, net of current maturities	
2600 - Long Term Debt Summary	
26254 - PPP Loan - REGO Restaurant Holdings II, LLC	\$24,556.78
Total - 2600 - Long Term Debt Summary	\$24,556.78
29001 - Related Party - Payable (LTL)	\$39,203.00
Total long-term liabilities	\$63,759.78
Equity	
31200 - Member's Equity	(\$37,422.70)
Retained Earnings	\$46,222.71
Net Income	\$582,796.46

Total Equity	\$591,596.47
Total Liabilities & Equity	\$1,043,789.85

REGO Restaurant Group
101 High Bluff CP (Consolidated)
REGO II (TDM) - Income Statement - External 05
From P1 2022 to P9 2022

Options: Activity Only

Financial Row	Amount
Revenues	
Franchise Royalties and Other	
Royalties - US	
4500 - Royalty Income	
45100 - Royalty Fees	\$589,268.76
Total - 4500 - Royalty Income	\$589,268.76
Royalties - Canada	
4500 - Royalty Income	
45100 - Royalty Fees	\$208,867.37
Total - 4500 - Royalty Income	\$208,867.37
Franchise Fees and Other	
4300 - Franchise	
43200 - Init Fran Fees	\$4,169.37
Total - 4300 - Franchise	\$4,169.37
Summary - Franchise Royalties and Other	\$802,305.50
Advertising Fund Contributions	
4000 - Ad Income	
40100 - National Ad Revenue	\$273,743.18
Total - 4000 - Ad Income	\$273,743.18
Vendor Rebates	
4200 - Supply Chain	
42300 - Rebate Rev	\$194,920.48
Total - 4200 - Supply Chain	\$194,920.48
Total - Vendor Rebates	\$194,920.48
Total Revenues	\$1,270,969.16
Restaurant Operating Margin	\$0.00
Franchising Costs	
Salaries and Related	
8000 - G&A	
8010 - Payroll	
80110 - Wages: Salaried	(\$22,153.80)
80130 - Bonus	(\$10,940.00)
80140 - Taxes: Payroll Taxes	(\$453.90)
80150 - Taxes: Unemployment	(\$2,469.62)
80180 - Employee Benefits	\$93.17
Total - 8010 - Payroll	(\$35,924.15)
80300 - Bad Debt Expense	\$1,259.41
8070 - Employee G&A	
80730 - Training	(\$1,000.00)
Total - 8070 - Employee G&A	(\$1,000.00)
80900 - Fees & Licenses	(\$6,823.90)
8130 - Marketing	
81320 - Marketing Other	(\$2,660.00)
Total - 8130 - Marketing	(\$2,660.00)
8160 - Outside Services	
81610 - Consulting	(\$25,616.35)
81620 - Outsourcing	(\$3,439.90)
Total - 8160 - Outside Services	(\$29,056.25)
81700 - Postage & Shipping	\$12.04
82000 - R&D	(\$181.50)
82350 - Supplies: FO	(\$21,133.29)
Total - 8000 - G&A	(\$95,507.64)
Marketing Wages and Related	
8000 - G&A	
8130 - Marketing	
81320 - Marketing Other	(\$710.55)

Total - 8130 - Marketing	(\$710.55)
81400 - Meals & Entertainment	(\$906.63)
89000 - Miscellaneous G&A	(\$107,805.36)
8010 - Payroll	
80180 - Employee Benefits	\$672.96
80140 - Taxes: Payroll Taxes	(\$466.10)
80150 - Taxes: Unemployment	(\$2,421.70)
80110 - Wages: Salaried	(\$33,273.40)
Total - 8010 - Payroll	(\$35,488.24)
81700 - Postage & Shipping	(\$980.63)
82350 - Supplies: FO	(\$1,504.13)
8260 - Travel	
82610 - Air	(\$2,894.84)
82620 - Car Rental	(\$147.47)
82630 - Fuel	(\$74.30)
82670 - Lodging	(\$3,472.41)
82650 - Mileage	(\$897.84)
82660 - Parking	(\$140.00)
82640 - Taxi/Shuttle	(\$251.74)
82680 - Travel Meals	(\$149.53)
Total - 8260 - Travel	(\$8,028.13)
Total - 8000 - G&A	(\$155,423.67)
Total - Marketing Wages and Related Advertising and Related	(\$155,423.67)
7000 - Advertising	
71100 - Production Creative	(\$17,738.33)
71300 - Digital	(\$38,780.45)
71400 - Print	(\$35,357.79)
71500 - Loyalty	(\$26,198.27)
71900 - Other	(\$35,634.43)
71950 - Ad Fund - surplus/(shortfall)	\$35,389.76
Total - 7000 - Advertising	(\$118,319.51)
Total Franchising Costs	(\$369,250.82)
Franchising Margin	\$901,718.34
Other	
General and Administrative	
8000 - G&A	
8010 - Payroll	
80160 - Taxes: Worker's Comp	(\$3,839.58)
80180 - Employee Benefits	(\$3,194.15)
Total - 8010 - Payroll	(\$7,033.73)
8040 - Bank Exp	
80410 - Bank Charges	(\$12,853.09)
80420 - CC Expenses	(\$40.26)
Total - 8040 - Bank Exp	(\$12,893.35)
80900 - Fees & Licenses	(\$1,769.76)
80950 - High Bluff Expense	\$3,995.00
8100 - Insurance	
81120 - General	(\$12,790.03)
Total - 8100 - Insurance	(\$12,790.03)
8120 - Legal	
81230 - Legal Expenses	(\$102,555.42)
Total - 8120 - Legal	(\$102,555.42)
8130 - Marketing	
81320 - Marketing Other	(\$265.02)
81330 - Events	(\$500.00)
Total - 8130 - Marketing	(\$765.02)
8160 - Outside Services	
81620 - Outsourcing	(\$1,883.50)
81630 - Payroll Serv	(\$1,077.28)
81640 - Prof Fees	(\$108,126.27)
Total - 8160 - Outside Services	(\$111,087.05)
81700 - Postage & Shipping	(\$707.76)
82350 - Supplies: FO	(\$1,475.84)
8240 - Tax	
82410 - Tax Licenses and Fees	(\$563.87)

82440 - Sales Tax	(\$4,218.49)
82450 - Franchise Tax	(\$2,580.00)
Total - 8240 - Tax	(\$7,362.36)
8260 - Travel	
82650 - Mileage	(\$317.84)
Total - 8260 - Travel	(\$317.84)
89000 - Miscellaneous G&A	(\$103,944.33)
Total - 8000 - G&A	(\$358,707.49)
Depreciation and Amortization	
9000 - Other Expense	
90120 - Amortization: Intangibles	(\$53,064.63)
90110 - Depreciation	(\$2,353.08)
Total - 9000 - Other Expense	(\$55,417.71)
Foreign Exchange Gain/Loss	
91100 - Realized Gain/Loss	\$338.47
91110 - Rounding Gain/Loss	\$0.10
Total - Foreign Exchange Gain/Loss	\$338.57
Other	
94200 - Other Income: Other	\$127,522.22
Total - Other	\$127,522.22
Total Other	(\$286,264.41)
Earnings Before Interest and Taxes	\$615,453.93
Interest Income	
9400 - Interest Income	
94100 - Int Inc	\$722.55
Total - 9400 - Interest Income	\$722.55
Interest Expense	
9510 - Interest Expense	
95140 - Interest Exp. - Related Party	(\$19,316.92)
Total - 9510 - Interest Expense	(\$19,316.92)
Earnings Before Taxes	\$596,859.56
Provision for Income Taxes	
Income Taxes	
9800 - Income Tax Expense	
98100 - Income Tax Expense: #1	(\$14,063.10)
Total - 9800 - Income Tax Expense	(\$14,063.10)
Provision for Income Taxes	(\$14,063.10)
Net Income	\$582,796.46
EBITDA	\$670,871.64

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**REGO Restaurants Holdings II, LLC and
Subsidiaries**

December 26, 2021 and December 27, 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
REGO Restaurant Holdings II, LLC and subsidiaries

Opinion

We have audited the consolidated financial statements of REGO Restaurant Holdings II, LLC (a Delaware limited liability company) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 26, 2021 and December 27, 2020, and the related consolidated statements of operations and other comprehensive loss, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 26, 2021 and December 27, 2020, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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



Denver, Colorado
April 22, 2022

REGO Restaurants Holdings II, LLC and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 26, 2021 and December 27, 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash	\$ 456,378	\$ 653,950
Accounts and other receivables, net	73,902	73,968
Other current assets	<u>13,591</u>	<u>586</u>
Total current assets	<u>543,871</u>	<u>728,504</u>
Property and equipment		
Computer equipment	17,692	17,692
Less accumulated depreciation	<u>(17,692)</u>	<u>(14,299)</u>
Property and equipment, net	<u>-</u>	<u>3,393</u>
Other assets		
Franchise agreements, net	776,974	839,623
Trademarks, net	<u>90,461</u>	<u>104,461</u>
Total other assets	<u>867,435</u>	<u>944,084</u>
Total assets	<u><u>\$ 1,411,306</u></u>	<u><u>\$ 1,675,981</u></u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 10,193	\$ 12,102
Accounts payable	23,887	45,588
Related-party payable	1,039,722	795,786
Accrued liabilities	<u>145,120</u>	<u>119,741</u>
Total current liabilities	<u>1,218,922</u>	<u>973,217</u>
Long-term liabilities		
Long-term debt, net of current maturities	141,886	136,498
Deferred revenue	<u>41,694</u>	<u>43,111</u>
Total long-term liabilities	<u>183,580</u>	<u>179,609</u>
Member's equity		
Total member's equity	<u>8,804</u>	<u>523,155</u>
Total liabilities and member's equity	<u><u>\$ 1,411,306</u></u>	<u><u>\$ 1,675,981</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

REGO Restaurants Holdings II, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS

Fiscal years ended December 26, 2021 and December 27, 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Franchise royalties and other	\$ 1,102,649	\$ 1,068,632
Vendor rebates	85,630	65,262
Advertising fund revenue	<u>378,287</u>	<u>342,199</u>
Total revenues	<u>1,566,566</u>	<u>1,476,093</u>
Operating cost and expenses		
Franchising support costs	223,064	174,054
Selling, general, and administrative expense	1,499,743	1,475,007
Advertising fund expenses	378,287	350,072
Depreciation and amortization expense	<u>80,042</u>	<u>104,069</u>
Total operating expenses	<u>2,181,136</u>	<u>2,103,202</u>
Loss from operations	<u>(614,570)</u>	<u>(627,109)</u>
Other income (expense)		
Other income	158,831	-
Interest expense	<u>(39,497)</u>	<u>(854)</u>
Total other income (expense)	<u>119,334</u>	<u>(854)</u>
Loss from operations before income tax expense	(495,236)	(627,963)
Income tax expense	<u>(19,514)</u>	<u>-</u>
NET LOSS	(514,750)	(627,963)
Other comprehensive income		
Foreign currency translation adjustment	<u>399</u>	<u>114</u>
COMPREHENSIVE LOSS ATTRIBUTED TO REGO RESTAURANTS HOLDINGS II, LLC	<u><u>\$ (514,351)</u></u>	<u><u>\$ (627,849)</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

REGO Restaurants Holdings II, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY

Fiscal years ended December 26, 2021 and December 27, 2020

	Member's Equity	Accumulated Other Comprehensive Income	Total
Balance, December 29, 2019	\$ 2,906,922	\$ 547	\$ 2,907,469
Member distributions	(1,756,465)	-	(1,756,465)
Foreign currency translation adjustment	-	114	114
Net loss	<u>(627,963)</u>	<u>-</u>	<u>(627,963)</u>
Balance, December 27, 2020	522,494	661	523,155
Foreign currency translation adjustment	-	399	399
Net loss	<u>(514,750)</u>	<u>-</u>	<u>(514,750)</u>
Balance, December 26, 2021	<u><u>\$ 7,744</u></u>	<u><u>\$ 1,060</u></u>	<u><u>\$ 8,804</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

REGO Restaurants Holdings II, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal years ended December 26, 2021 and December 27, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net loss	\$ (514,750)	\$ (627,963)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	80,042	104,069
Provision for bad debt expense	2,671	-
Forgiveness of Paycheck Protection Program loan	(148,600)	-
Changes in assets and liabilities:		
Accounts receivable	(2,605)	60,086
Other current assets	(13,005)	7,250
Accounts payable	(21,701)	(10,517)
Related-party payable	243,936	529,286
Accrued liabilities	25,379	(17,861)
Deferred revenue	(1,417)	14,809
	<u>(350,050)</u>	<u>59,159</u>
Net cash and cash equivalents (used in) provided by operating activities	(350,050)	59,159
Cash flows from financing activities:		
Proceeds from issuance of Paycheck Protection Program loan	152,079	148,600
Member distributions	<u>-</u>	<u>(257,415)</u>
Net cash and cash equivalents provided by (used in) financing activities	<u>152,079</u>	<u>(108,815)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(197,971)	(49,656)
Effect of exchange rate changes on cash	399	114
Cash and cash equivalents and restricted cash, beginning of period	<u>653,950</u>	<u>703,492</u>
Cash and cash equivalents and restricted cash, end of period	<u><u>\$ 456,378</u></u>	<u><u>\$ 653,950</u></u>
Supplemental disclosure of cash flow information:		
Non-cash member distributions	\$ -	\$ 1,499,050

The accompanying notes are an integral part of these consolidated financial statements.

REGO Restaurants Holdings II, LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 26, 2021 and December 27, 2020

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REGO Restaurants Holdings II, LLC, a Delaware Limited Liability Company, was incorporated in the state of Delaware on June 14, 2018. REGO Restaurants Holdings II, LLC wholly owns TDM Franchising, LLC; TDM Leasing, LLC; TDM IP Holder, LLC; and TDM Canada LLC and its subsidiaries, TDM Leasing of Canada ULC and TDM Franchising of Canada ULC (collectively known as “REGO,” “we,” “us,” “our,” or the “Company”). We franchise restaurants throughout North America. Our strategy is to acquire restaurant concepts in which we benefit from leveraging our shared services model and center of excellence.

As of December 26, 2021, the Company franchised 48 Taco Del Mar’s (“TDM”) in the United States, and 17 Taco Del Mar’s in Canada.

Principles of Consolidation and Fiscal Year

The consolidated financial statements of the Company include the accounts of REGO Restaurants Holdings II, LLC and its wholly owned subsidiaries after elimination of all intercompany accounts and transactions. The Company’s fiscal year is 52 or 53 weeks ending the last Sunday of the calendar year. Fiscal year 2021 was 52 weeks starting December 28, 2020 and ending December 26, 2021. Fiscal year 2020 was 52 weeks starting December 30, 2019 and ending December 27, 2020.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The areas that require management’s most significant estimates are impairment of property and equipment, valuation of trademark, and allowances associated with accounts receivable. Actual results could differ from those estimates.

Revenue Recognition

During fiscal year 2020, we adopted Accounting Standards Updated (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue when it transfers promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption did not have a significant impact on the consolidated balance sheets, statements of operations and other comprehensive loss, or cash flows.

Revenue Recognition - Franchise-Related

The Company’s franchise-related revenues consist of royalties, initial franchise fees, renewal and transfer fees. The Company franchises the right to franchisees to open restaurants. The initial term of the franchise agreements is typically 10 years, with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically charged.

The initial franchise fee for each franchise agreement is recognized over the term of the respective franchise agreement from the date the agreement is executed. Renewal fees are recognized over the renewal term for the respective franchise from the start of the renewal period. Transfer fees are recognized over the remaining term of the franchise agreement beginning at the time of transfer. Income from royalties and advertising fund contributions are recognized over the term of the respective franchise agreement as the underlying sales occur.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 26, 2021 and December 27, 2020

When a franchise agreement is terminated voluntarily by the franchisee or due to the default of the franchisee, the Company recognizes the remaining initial franchise fee as revenue earned, as no further performance obligation needs to be satisfied and the initial franchise fee is not refundable per the franchise agreement.

Revenue Recognition - Vendor Rebate Revenue

Vendor rebates include commission and volume rebates received from vendors with whom we have negotiated system-wide pricing and they are based on the volume of purchases by franchise restaurants and recognized as earned.

Advertising Fund Contributions

The Company collects advertising and marketing fund fees. Marketing fund monies are used to promote brand awareness and include, but are not limited to, the creation of marketing and promotional material, development and maintenance of websites for the franchise system, and market research. Marketing and production fund fees are collected monthly, primarily based upon a percentage of franchisee gross sales. The Company recognizes these sales-based marketing fund contributions from franchisees when the underlying franchisee sales occur. The total marketing fund revenues earned for the years ended December 26, 2021 and December 27, 2020 were \$378,287 and \$342,199, respectively, and are included in Advertising fund contributions on the accompanying consolidated statements of operations and other comprehensive loss. The Company records the related marketing expenses as incurred under Advertising fund expenses on the accompanying consolidated statement of operations and other comprehensive loss. Per the guidance in Accounting Standards Codifications ("ASC") 720, *Other Expenses*, when revenues of the marketing and production fund collections exceed the related expenses, marketing expenses are accrued up to the amount of revenues to be utilized in the subsequent years. For the years ended December 26, 2021, and December 27, 2020 the Advertising fund expenditures exceeded the Advertising fund revenue and no accrual was recorded on the consolidated balance sheets.

Contractual Liabilities

Contractual liabilities include deposits for refundable initial franchise fees from prospective franchise owners on franchise agreements not yet executed by the Company. Contractual liabilities are included in deferred revenue on the consolidated balance sheets.

Revenue Recognition - Gift Cards Revenues

The Company sells gift cards online and in franchise-owned restaurants. The Company does not charge administrative fees on unused gift card balances, and the gift cards have no expiration date. Gift card sales are recorded as accrued liabilities when sold and are recognized as a reduction of accrued liabilities revenues when redeemed by customers. Gift card breakage is recognized under the proportional method when the Company determines a legal obligation to remit the unredeemed gift card balance to the relevant jurisdiction does not exist. The determination of the gift card breakage rate is based upon the Company's specific historical redemption patterns. The Company did not recognize any gift breakage revenues related to gift cards during the years ended December 26, 2021 and December 27, 2020.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are maintained with multiple financial institutions. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and, therefore, bear minimal credit risk. The Company holds cash and cash equivalents at financial institutions in excess of amounts covered by the Federal Deposit Insurance Corporation.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 26, 2021 and December 27, 2020

Accounts Receivable

The Company's receivables consist primarily of royalties due from franchisees and vendor rebates. The Company's accounts receivable is reviewed periodically and the carrying values of the net receivables are adjusted to the amount that the Company estimates to be the net realizable value. The Company evaluates the collectability of its accounts receivable based on a combination of factors, including length of time the receivables are past due, historical performance, and the probability of collection. The Company does not accrue finance or interest charges on outstanding balances. The Company had \$5,881 and \$3,210 reserved as an allowance for doubtful accounts as of December 26, 2021 and December 27, 2020, respectively.

As of December 26, 2021 and December 27, 2020 accounts receivable was as follows:

	2021	2020
Vender rebates	\$ 22,096	\$ 17,145
Franchise royalties	57,686	60,033
Total accounts receivable	79,782	77,178
Reserve for doubtful accounts	(5,880)	(3,210)
Total accounts receivable, net	\$ 73,902	\$ 73,968

Property and Equipment

Property and equipment are recorded at cost. Expenditures from major leasehold improvements and equipment replacements are capitalized. Minor maintenance, replacements, and repairs are expensed as incurred. Depreciation is computed on the straight-line method based on the shorter of the estimated useful lives of the terms of the underlying leases of the related assets.

The estimated useful lives for property and equipment are:

Computer equipment	3 years
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Trademarks

Trademarks represent the fair value of the Taco Del Mar's trademarks acquired as part of the Taco Del Mar acquisition. The Company estimates the useful life of the Taco Del Mar's trademarks to be 10 years. Amortization expense related to trademarks was \$14,000 and \$35,539 for the years ended December 26, 2021 and December 27, 2020, respectively.

Trademarks consist of the following as of December 26, 2021:

Carrying Amount	Accumulated Amortization	Net Carrying Amount
\$ 140,000	\$ (49,539)	\$ 90,461

Trademarks consist of the following as of December 27, 2020:

Carrying Amount	Accumulated Amortization	Net Carrying Amount
\$ 140,000	\$ (35,539)	\$ 104,461

REGO Restaurants Holdings II, LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 26, 2021 and December 27, 2020

Future estimated amortization of trademarks at December 26, 2021 is as follows:

2022	\$ 14,000
2023	14,000
2024	14,000
2025	14,000
2026	14,000
Thereafter	<u>20,461</u>
	<u>\$ 90,461</u>

Franchise Contracts

Franchise contracts represent the acquired value of franchise contracts in the Taco Del Mar acquisition, which are amortized over the term of the franchise agreements based on the projected royalty revenue stream.

Amortization expense related to franchise contracts was \$62,649 and \$62,649 for the years ended December 26, 2021 and December 27, 2020, respectively.

Franchise contracts consist of the following as of December 26, 2021:

<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Amortization Period</u>
\$ 1,000,000	\$ (223,026)	\$ 776,974	10 - 16 years

Franchise contracts consist of the following as of December 27, 2020:

<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Amortization Period</u>
\$ 1,000,000	\$ (160,377)	\$ 839,623	11 - 17 years

Future estimated amortization of franchise contracts at December 26, 2021 is as follows:

2022	\$ 62,649
2023	62,649
2024	62,649
2025	62,649
2026	62,649
Thereafter	<u>463,729</u>
	<u>\$ 776,974</u>

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 26, 2021 and December 27, 2020

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities. If the assets are determined to be impaired, the amount of impairment recognized is the amount by which the carrying amount of the assets exceeds their fair value. During the years ended December 26, 2021 and December 27, 2020, there were no impairments recorded.

Income Taxes

The Company is designated as a limited liability company (LLC), and income taxes on profits are a liability of the members. Certain subsidiaries are designated as Canadian corporations and, accordingly, the provision for income taxes for this activity is reflected in the 2021 and 2020 consolidated financial statements. The Company accounts for uncertainty in income taxes by utilizing a minimum probability threshold that a tax position meets the requirements for initial recognition before a financial statement benefit is recognized. The minimum threshold is defined as a tax position, that based solely on its technical merits is more likely than not to be sustained upon examination by the applicable taxing authority. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Management evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Furthermore, there have been no interest or penalties recognized in the consolidated statements of operations and other comprehensive loss or in the consolidated balance sheets related to uncertain tax positions.

Fair Value of Financial Instruments

Fair value is the price the Company would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For assets and liabilities recorded or disclosed at fair value on a recurring basis, the Company determines fair value based on the following:

- Level 1 - Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access;
- Level 2 - Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The carrying amounts of the Company's financial instruments, including cash, receivables, accounts payable, and accrued liabilities approximate their fair values due to their short-term nature.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 26, 2021 and December 27, 2020

COVID-19 Pandemic Impacts

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus, COVID-19, a pandemic. The COVID-19 pandemic resulted in a substantial number of the franchised restaurants being temporarily closed in the second quarter of 2020, which had material negative impacts on the Company's operations and financial and development results for the years ended December 27, 2020. In 2021, the franchised restaurant have reopened, but revenues are still below pre-pandemic levels due to a variety of factors. The Company believes current cash and cash from operations will be sufficient to meet its operating cash requirements, planned capital expenditures, interest and principal payments for at least the next twelve months.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize on the balance sheet a right-of-use asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for nonpublic companies for fiscal years beginning after December 15, 2021. Early adoption is permitted. The amendments in this update should be applied using a modified retrospective approach. The Company does not have any leases, thus the adoption of ASU No. 2016-02 will have no impact on its consolidated financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net balance as of December 26, 2021 and December 27, 2020:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 17,692	\$ 17,692
Total property and equipment	17,692	17,692
Accumulated depreciation	<u>(17,692)</u>	<u>(14,299)</u>
Total property and equipment, net	<u>\$ -</u>	<u>\$ 3,393</u>

Depreciation expense on property and equipment was \$3,393 and \$5,881 during the years ended December 26, 2021 and December 27, 2020, respectively.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 26, 2021 and December 27, 2020

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of December 26, 2021 and December 27, 2020:

	2021	2020
Payroll and payroll related benefits	\$ 34,957	\$ 14,233
Gift card liability	33,551	38,556
Assumed lease commitment	28,242	68,245
Other	48,370	(1,293)
	<u>145,120</u>	<u>119,741</u>
Total accrued liabilities	\$ 145,120	\$ 119,741

NOTE 5 - RELATED PARTY TRANSACTIONS

The Company has ongoing relationships with related parties and the consolidated financial statements reflect the following related party transactions:

	2021	2020
REGO Intermediate Holding Company, LLC payable	\$ 696,055	\$ 364,523
REGO Intermediate Holding Company, LLC promissory note	274,439	431,263
High Bluff Capital Partners, LLC payable	69,228	-
	<u>1,039,722</u>	<u>795,786</u>
Total related party payable	\$ 1,039,722	\$ 795,786

In April 2021, the Company entered into a Management Consulting Agreement with High Bluff Capital Partners, LLC ("High Bluff"). The agreement established an annual consulting fee of \$300,000 per year. In July 2021, the Management Consulting Agreement between the Company and High Bluff was terminated. In addition, to the management fee, the Company shares services with High Bluff for certain operating expenses incurred in the normal course of business and, from time to time, High Bluff will request a cash draw from the Company. During 2021, the Company incurred expenses of approximately \$820,000 related shared services from High Bluff, in addition to the \$69,228 management fee expense. In 2020, and prior to the Management Consulting Agreement, the shared services and cash draws were treated as member distributions and total distributions for 2020 was \$1,499,050.

REGO Intermediate Holding Company, LLC ("REGO I"), a related company through common ownership of High Bluff, performs certain management services. In October 2020, the Company entered into a three-year Management Consulting Agreement ("Agreement") with REGO I. The Agreement established an annual consulting fee of \$110,000 for year one and \$150,000 for the two-years following and REGO I can allocate certain marketing, advertising and general expenses to the Company that are incurred by REGO in performing services for the Company. For the years ended December 26, 2021 and December 27, 2020, the Company expensed roughly \$119,000 and \$25,000, respectively, related to the management fee per the Agreement. In addition to the management fee, REGO I allocated \$300,000 and \$430,000 of advertising, marketing, and general expenses to the Company for the years ending December 26, 2021 and December 27, 2020, respectively.

In addition to the Agreement, the Company entered into a promissory note payable in the amount of \$470,469 with REGO I. The promissory note is a three-year note bearing interest at 10.75% and calls for quarterly principal payments of \$39,206, beginning in the fourth quarter of 2020.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 26, 2021 and December 27, 2020

NOTE 6 - BORROWINGS

On April 8, 2020, the Company closed on a \$148,600 loan under the Payroll Protection Program ("PPP") (the "Loan") contained within the new Coronavirus Aid, Relief, and Economic Security ("CARES Act"). In 2021, the April 8, 2020 PPP loan was forgiven and the \$148,600 forgiven is included in other income on the consolidated statements of operations and other comprehensive loss.

In April 2021, the Company closed on an additional PPP loan in the amount of \$152,079. The Loan bears interest at a fixed rate of 1% per annum with the first six months of interest deferred and may be forgiven if at least 60% of the Loan proceeds are used by the Company to cover payroll costs, including benefits, and the Company maintains its employment and compensation within certain parameters during the 24-week period following the loan origination date. At the time of this filing, the Company anticipates having the balance of this loan forgiven, however, the forgiveness application process is not yet complete. If a portion of these loans are not deemed forgivable, the unqualified portion is to be repaid over five years, accruing interest at 1% per annum.

Future Cash Payments

The Company anticipates having the balance of the note forgiven, however, in the event that the note is not forgiven, the scheduled principal payments on the PPP loan outstanding at December 26, 2021 for each of the next five fiscal years and thereafter, will be as follows:

2022	\$ 10,193
2023	41,027
2024	41,439
2025	41,856
2026	17,564
Total future scheduled principal payments	152,079
Adjustments to reconcile to long-term portion:	
Less: Current portion of PPP loan	(10,193)
Long-term portion of PPP loan balance as of December 26, 2021	\$ 141,886

NOTE 7 - CONTINGENCIES

Purchase Obligations

The Company enters into various purchase obligations in the ordinary course of business, generally of short-term nature. Those that are binding primarily relate to commitments for food purchases and supplies, technology services, amounts owed under contractor and subcontractor agreements, and marketing initiatives.

Litigation

From time to time, the Company is involved in certain disputes and legal actions arising in the ordinary course of its business. While it is not feasible to predict or determine the outcome of these proceedings, in management's opinion, based on a review with legal counsel, none of these disputes and legal actions are expected to have a material impact on its consolidated financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and an adverse result in these matters may arise from time to time that may harm the Company's business. There was no open litigation at year end.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 26, 2021 and December 27, 2020

NOTE 8 - SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the consolidated balance sheet date of December 26, 2021, for items that should be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through April 22, 2022, which is the date the consolidated financial statements were available to be issued.

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**REGO Restaurants Holdings II, LLC and
Subsidiaries**

December 27, 2020 and December 29, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
REGO Restaurant Holdings II, LLC and subsidiaries

We have audited the accompanying consolidated financial statements of REGO Restaurant Holdings II, LLC and subsidiaries (a Delaware limited liability corporation), which comprise the consolidated balance sheets as of December 27, 2020 and December 29, 2019, and the related consolidated statements of operations, member's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of REGO Restaurants Holdings II, LLC and its subsidiaries as of December 27, 2020 and December 29, 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Denver, Colorado
June 11, 2021

REGO Restaurants Holdings II, LLC and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash	\$ 653,950	\$ 703,492
Accounts and other receivables, net	73,968	134,054
Related party receivables	-	1,499,050
Other current assets	<u>586</u>	<u>7,835</u>
Total current assets	<u>728,504</u>	<u>2,344,431</u>
Property and equipment		
Computer equipment	17,692	17,692
Less accumulated depreciation	<u>(14,299)</u>	<u>(8,418)</u>
Property and equipment, net	<u>3,393</u>	<u>9,274</u>
Other assets		
Franchise agreements, net	839,623	902,272
Trademarks, net	<u>104,461</u>	<u>140,000</u>
Total other assets	<u>944,084</u>	<u>1,042,272</u>
Total assets	<u><u>\$ 1,675,981</u></u>	<u><u>\$ 3,395,977</u></u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 12,102	\$ -
Accounts payable	45,588	56,104
Related party payable	795,786	266,500
Accrued liabilities	<u>119,741</u>	<u>137,602</u>
Total current liabilities	<u>973,217</u>	<u>460,206</u>
Long-term liabilities		
Deferred revenue	43,111	28,302
Long-term debt, net of current maturities	<u>136,498</u>	<u>-</u>
Total long-term liabilities	<u>179,609</u>	<u>28,302</u>
Member's equity		
Total member's equity	<u>523,155</u>	<u>2,907,469</u>
Total liabilities and member's equity	<u><u>\$ 1,675,981</u></u>	<u><u>\$ 3,395,977</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

REGO Restaurants Holdings II, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

Fiscal years ended December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Franchise royalties and other	\$ 1,068,632	\$ 1,962,690
Vendor rebates	65,262	104,866
Advertising fund revenue	<u>342,199</u>	<u>-</u>
Total revenues	<u>1,476,093</u>	<u>2,067,556</u>
Operating cost and expenses		
Franchising support costs	174,054	384,045
Selling, general, and administrative expense	1,475,007	220,549
Advertising fund expenses	350,072	-
Depreciation and amortization expense	104,069	103,689
Acquisition and transition-related cost	<u>-</u>	<u>40,054</u>
Total operating expenses	<u>2,103,202</u>	<u>748,337</u>
(Loss) Income from operations	<u>(627,108)</u>	<u>1,319,219</u>
Other (expense) income		
Other expense	-	(8,481)
Interest (expense) income	<u>(854)</u>	<u>2,975</u>
Total other expense	<u>(854)</u>	<u>(5,506)</u>
Income (loss) from operations before income tax expense	(627,963)	1,313,713
Income tax expense	<u>-</u>	<u>(64,174)</u>
NET (LOSS) INCOME	(627,963)	1,249,539
Other comprehensive income		
Foreign currency translation adjustment	<u>114</u>	<u>547</u>
COMPREHENSIVE (LOSS) INCOME ATTRIBUTED TO REGO RESTAURANTS HOLDING II, LLC	<u><u>\$ (627,849)</u></u>	<u><u>\$ 1,250,086</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

REGO Restaurants Holdings II, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY

Fiscal years ended December 27, 2020 and December 29, 2019

	<u>Equity</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Member's Equity</u>
Balance, January 1, 2019	\$ 1,682,848	\$ -	\$ 1,682,848
Member distributions	(25,465)	-	(25,465)
Foreign currency translation adjustment	-	547	547
Net income	<u>1,249,539</u>	<u>-</u>	<u>1,249,539</u>
Balance, December 29, 2019	2,906,922	547	2,907,469
Member distributions	(1,756,465)	-	(1,756,465)
Foreign currency translation adjustment	-	114	114
Net loss	<u>(627,963)</u>	<u>-</u>	<u>(627,963)</u>
Balance, December 27, 2020	<u><u>\$ 522,494</u></u>	<u><u>\$ 661</u></u>	<u><u>\$ 523,155</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

REGO Restaurants Holdings II, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal years ended December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net (loss) income	\$ (627,963)	\$ 1,249,539
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	104,069	103,689
Changes in assets and liabilities:		
Accounts receivable	60,086	(24,220)
Related party receivable	-	(1,499,050)
Other current assets	7,250	8,490
Accounts payable	(10,517)	45,657
Related party payable	529,286	266,500
Accrued liabilities	(17,861)	(208,359)
Deferred revenue and other liabilities	<u>14,809</u>	<u>18,302</u>
Net cash and cash equivalents provided by (used in) operating activities	59,159	(39,452)
Cash flows from financing activities:		
Proceeds from issuance of Paycheck Protection Program note	148,600	-
Member distributions	<u>(257,415)</u>	<u>(25,462)</u>
Net cash and cash equivalents used in financing activities	<u>(108,815)</u>	<u>(25,462)</u>
Net decrease in cash and cash equivalents	(49,656)	(64,914)
Effect of exchange rate changes on cash	114	547
Cash and cash equivalents and restricted cash, beginning of period	<u>703,492</u>	<u>767,859</u>
Cash and cash equivalents and restricted cash, end of period	<u><u>\$ 653,950</u></u>	<u><u>\$ 703,492</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ -	\$ 64,174
Non-cash member distributions	\$ 1,499,050	-

The accompanying notes are an integral part of these consolidated financial statements.

REGO Restaurants Holdings II, LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 27, 2020 and December 29, 2019

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REGO Restaurants Holdings II, LLC, a Delaware Limited Liability Company, was incorporated in the state of Delaware on June 14, 2018. REGO Restaurants Holdings II, LLC wholly owns TDM Franchising, LLC; TDM Leasing, LLC; TDM IP Holder, LLC; and TDM Canada LLC and its subsidiaries, TDM Leasing of Canada ULC and TDM Franchising of Canada ULC (collectively known as “REGO,” “we,” “us,” “our,” or the “Company”). We franchise restaurants throughout North America. Our strategy is to acquire restaurant concepts in which we benefit from leveraging our shared services model and center of excellence. High Bluff Capital Partners (“High Bluff”) is the sole member of the Company.

As of December 27, 2020, the Company franchised 48 Tac Del Mar’s (“TDM”) in the United States, and 18 Taco Del Mar’s in Canada.

Principles of Consolidation and Fiscal Year

The consolidated financial statements of the Company include the accounts of REGO Restaurants Holdings II, LLC and its wholly owned subsidiaries after elimination of all intercompany accounts and transactions. The Company’s fiscal year is 52 or 53 weeks ending the last Sunday of the calendar year. Fiscal year 2020 was 52 weeks starting December 30, 2019 and ending December 27, 2020. Fiscal year 2019 was 52 weeks starting January 1, 2019 and ending December 29, 2019.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The areas that require management’s most significant estimates are impairment of property and equipment, valuation of trademark, and allowances associated with accounts receivable. Actual results could differ from those estimates.

Revenue Recognition

During fiscal year 2020, we adopted Accounting Standards Updated (“ASC”) 2014-09 *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue when it transfers promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption did not have a significant impact on the consolidated balance sheets, statements of operations and other comprehensive income, or cash flows.

Revenue Recognition - Franchise-Related

The Company’s franchise-related revenues consist of royalties, initial franchise fees, renewal and transfer fees. The Company franchises the right to franchisees to open restaurants. The initial term of the franchise agreements is typically 10 years, with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically charged.

The initial franchise fees for each franchise agreement is recognized over the term of the respective franchise agreement from the date the agreement is executed. Renewal fees are recognized over the renewal term for the respective franchise from the start of the renewal period. Transfer fees are recognized over the remaining term of the franchise agreement beginning at the time of transfer. Income from royalties and advertising fund contributions are recognized over the term of the respective franchise agreement as the underlying sales occur.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 27, 2020 and December 29, 2019

When a franchise agreement is terminated voluntarily by the franchisee or due to the default of the franchisee, the Company recognizes the remaining initial franchise fee as revenue earned, as no further performance obligation needs to be satisfied and the initial franchise fee is not refundable per the franchise agreement.

Revenue Recognition - Vendor Rebate Revenue

“Vendor rebates” include commission and volume rebates received from vendors with whom we have negotiated system-wide pricing and are based on the volume of purchases by franchise restaurants and recognized as earned.

Contractual Liabilities

Contractual liabilities include deposits for refundable initial franchise fees from prospective franchise owners on franchise agreements not yet executed by the Company. Contractual liabilities are included in deferred revenue on the consolidated balance sheets.

Revenue Recognition - Gift Cards Revenues

The Company sells gift cards online and in franchise-owned restaurants. The Company does not charge administrative fees on unused gift card balances, and the gift cards have no expiration date. Gift card sales are recorded as accrued liabilities when sold and are recognized as a reduction of accrued liabilities revenues when redeemed by customers. Gift card breakage is recognized under the proportional method when the Company determines a legal obligation to remit the unredeemed gift card balance to the relevant jurisdiction does not exist. The determination of the gift card breakage rate is based upon the Company's specific historical redemption patterns. The Company did not recognize any gift breakage revenues related to gift cards during the years ended December 27, 2020 and December 29, 2019.

Advertising fund contributions

The Company collects advertising and marketing fund fees. Marketing fund monies are used to promote brand awareness and include, but are not limited to, the creation of marketing and promotional material, development and maintenance of websites for the franchise system, and market research. Marketing and production fund fees are collected monthly, primarily based upon a percentage of franchisee gross sales. The Company recognizes these sales-based marketing fund contributions from franchisees when the underlying franchisee sales occur. The total marketing fund revenues earned for the year ended December 27, 2020 were \$342,199, and are included in Advertising fund contributions on the accompanying consolidated statement of operations and other comprehensive income. The Company records the related marketing expenses as incurred under Advertising fund expenses on the accompanying consolidated statement of operations and other comprehensive income. Per the guidance in Accounting Standards Codifications (“ASC”) 720 *Other Expenses*, when revenues of the marketing and production fund collections exceed the related expenses, marketing expenses are accrued up to the amount of revenues to be utilized in the subsequent years.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are maintained with multiple financial institutions. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and, therefore, bear minimal credit risk. The Company holds cash and cash equivalents at financial institutions in excess of amounts covered by the Federal Deposit Insurance Corporation.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 27, 2020 and December 29, 2019

Accounts Receivable

The Company's receivables consist primarily of royalties due from franchisees and vendor rebates. The Company's accounts receivable is reviewed periodically and the carrying values of the net receivables are adjusted to the amount that the Company estimates to be the net realizable value. The Company evaluates the collectability of its accounts receivable based on a combination of factors, including length of time the receivables are past due, historical performance, and the probability of collection. The Company does not accrue finance or interest charges on outstanding balances. The Company had \$3,210 and \$0 reserved as an allowance for doubtful accounts as of December 27, 2020 and December 29, 2019, respectively.

As of December 27, 2020 and December 29, 2019 accounts receivable was as follows:

	2020	2019
Vender rebates	\$ 17,145	\$ 43,342
Franchise royalties	60,033	90,712
Total accounts receivable	77,178	134,054
Reserve for doubtful accounts	(3,210)	-
Total accounts receivable, net	<u>\$ 73,968</u>	<u>\$ 134,054</u>

Property and Equipment

Property and equipment are recorded at cost. Expenditures from major leasehold improvements and equipment replacements are capitalized. Minor maintenance, replacements, and repairs are expensed as incurred. Depreciation is computed on the straight-line method based on the shorter of the estimated useful lives of the terms of the underlying leases of the related assets.

The estimated useful lives for property and equipment are:

Computer equipment	3 years
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Trademarks

Trademarks represent the fair value of the Tac Del Mar's trademarks acquired as part of the Tac Del Mar acquisition. The Company estimates the useful life of the Tac Del Mar's trademarks over 10 years. Amortization expense related to trademarks was \$35,539 and \$0 as of December 27, 2020 and December 29, 2019, respectively.

Trademarks consist of the following as of December 27, 2020:

Carrying Amount	Accumulated Amortization	Net Carrying Amount
\$ 140,000	\$ (35,539)	\$ 104,461

Trademarks consist of the following as of December 29, 2019:

Carrying Amount	Accumulated Amortization	Net Carrying Amount
\$ 140,000	\$ -	\$ 140,000

REGO Restaurants Holdings II, LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 27, 2020 and December 29, 2019

Future estimated amortization of Trademarks at December 27, 2020 is as follows:

2021	\$ 14,000
2022	14,000
2023	14,000
2024	14,000
2025	14,000
Thereafter	<u>34,461</u>
	<u>\$ 104,461</u>

Franchise Contracts

Franchise contracts represent the acquired value of franchise contracts in the Tac Del Mar acquisition, which are amortized over the term of the franchise agreements based on the projected royalty revenue stream. The fair value measurement of franchise contracts is based on significant inputs not observed in the market and thus represents a Level 3 fair value measurement.

Amortization expense related to franchise contracts was \$62,649 and \$97,728 in 2020 and 2019, respectively.

Franchise contracts consist of the following as of December 27, 2020:

<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Amortization Period</u>
\$ 1,000,000	\$ (160,377)	\$ 839,623	11 - 17 years

Franchise contracts consist of the following as of December 29, 2019:

<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Amortization Period</u>
\$ 1,000,000	\$ (97,728)	\$ 902,272	12 - 18 years

Future estimated amortization of franchise contracts at December 27, 2020 is as follows:

2021	\$ 62,649
2022	62,649
2023	62,649
2024	62,649
2025	62,649
Thereafter	<u>526,378</u>
	<u>\$ 839,623</u>

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 27, 2020 and December 29, 2019

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities. If the assets are determined to be impaired, the amount of impairment recognized is the amount by which the carrying amount of the assets exceeds their fair value. During 2020 and 2019, there were no impairments recorded.

Income Taxes

The Company is designated as a limited liability company (LLC), and income taxes on profits are a liability of the members. Certain subsidiaries are designated as Canadian corporations and, accordingly, the provision for income taxes for this activity is reflected in the 2020 consolidated financial statements. The Company accounts for uncertainty in income taxes by utilizing a minimum probability threshold that a tax position meets the requirements for initial recognition before a financial statement benefit is recognized. The minimum threshold is defined as a tax position, that based solely on its technical merits is more likely than not to be sustained upon examination by the applicable taxing authority. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Management evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Furthermore, there have been no interest or penalties recognized in the consolidated statements of operations and other comprehensive income or in the consolidated balance sheets related to uncertain tax positions.

Fair Value of Financial Instruments

Fair value is the price the Company would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For assets and liabilities recorded or disclosed at fair value on a recurring basis, the Company determines fair value based on the following:

- Level 1 - Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access;
- Level 2 - Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 27, 2020 and December 29, 2019

COVID-19 Pandemic Impacts

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus, COVID-19, a pandemic. The COVID-19 pandemic resulted in a substantial number of the franchised restaurants being temporarily closed in the second quarter of 2020, which had material negative impacts on the Company's operations and financial and development results for the year ended December 27, 2020. While the business has subsequently demonstrated recovery, results as stated in the consolidated financial statements should be understood as impacted by COVID-19. Although the Company expects the COVID-19 pandemic to continue to negatively impact the Company's operations and cash flows, based on management's current expectations and currently available information, the Company believes current cash and cash from operations will be sufficient to meet its operating cash requirements, planned capital expenditures and interest and principal payments for at least the next twelve months.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize on the balance sheet a right-of-use asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for nonpublic companies for fiscal years beginning after December 15, 2021. Early adoption is permitted. The amendments in this update should be applied using a modified retrospective approach. The Company does not anticipate the adoption of ASU No. 2016-02 to have a material impact on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional transition guidance, for a limited time, to companies that have contracts, hedging relationship or other transactions that referred to the London Inter-bank Offered Rate ("LIBOR") or another reference rate, which is expected to be discounted because of the reference rate reform. As of December 27, 2020, the LIBOR rates were publicly available. The Company will need to amend its debt agreement to establish a new reference rate.

NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net balance as of December 27, 2020 and December 29, 2019:

	2020	2019
Computer equipment	\$ 17,692	\$ 17,692
Total property and equipment	17,692	17,692
Accumulated depreciation	(14,299)	(8,418)
Total property and equipment, net	\$ 3,393	\$ 9,274

Depreciation expense on property and equipment was \$5,881 and \$5,961 in 2020 and 2019, respectively.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 27, 2020 and December 29, 2019

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of December 27, 2020 and December 29, 2019:

	2020	2019
Payroll and payroll related benefits	\$ 14,233	\$ 25,878
Gift card liability	38,556	34,933
Assumed lease commitment	68,245	52,244
Other	(1,293)	24,547
Total accrued liabilities	\$ 119,741	\$ 137,602

NOTE 5 - RELATED PARTY TRANSACTIONS

The Company has ongoing relationships with related parties as noted:

The Company shares services with High Bluff for certain operating expenses incurred in the normal course of business. In addition, from time to time, High Bluff will request a cash draw from the Company. As of December 27, 2020 and December 29, 2019, the Company has a related party receivable of \$0 and \$1,499,050, respectively, related to cash draws and payments on such shared services. At December 27, 2020, the Company recognized the receivable balance of \$1,756,465 as a member distribution and was recognized as such on the consolidated financial statements.

REGO Intermediate Holding Company LLC ("REGO I"), a related company through common ownership of High Bluff, performs certain management services and allocates overhead costs to cover such services provided. REGO I allocated \$430,000 and \$360,000 of general and administrative expenses to TDM for the years ending December 27, 2020 and December 29, 2019, respectively. As of December 27, 2020, and December 29, 2019, there is a related party payable of \$364,523 and \$266,500, respectively, to REGO I for these allocated overhead costs. This payable is included in the related party payable on the consolidated balance sheet.

In October 2020, the Company entered into a 3-year Management Consulting Agreement ("Agreement") with REGO I establishing an annual consulting fee of \$110,000 for year 1 and \$150,000 for the two-years following. For the year ended December 27, 2020 the Company expensed roughly \$25,000 related to the Agreement.

In addition to the Agreement, the Company entered into a promissory note payable in the amount of \$470,469 with REGO I. The balance payable on the note is \$431,263 as of December 27, 2020 and is included in related party payable on the consolidated balance sheet. The promissory note is a three-year note bearing interest at 10.75% and calls for quarterly principal payments of \$39,206, beginning in the fourth quarter of 2020.

NOTE 6 - BORROWINGS

On April 8, 2020, the Company closed on a \$148,600 loan under the Payroll Protection Program ("PPP") (the "Loan") contained within the new Coronavirus Aid, Relief, and Economic Security ("CARES") Act signed into law by the President on March 27, 2020.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 27, 2020 and December 29, 2019

The Loan bears interest at a fixed rate of 1% per annum with the first six months of interest deferred and may be forgiven if at least 60% of the Loan proceeds are used by the Company to cover payroll costs, including benefits, and the Company maintains its employment and compensation within certain parameters during the 24-week period following the loan origination date. At the time of this filing, the Company anticipates having the balance of this loan forgiven, however, the forgiveness application process is not yet complete. If a portion of these loans are not deemed forgivable, the unqualified portion is to be repaid over five years, accruing interest at 1% per annum.

Future Cash Payments

The Company anticipates having the balance of the note forgiven, however, in the event that the note is not forgiven, the scheduled principal payments on the PPP loan outstanding at December 27, 2020 for each of the next five fiscal years and thereafter, will be as follows:

2021	\$	12,102
2022		29,250
2023		29,544
2024		29,841
Thereafter		47,863
Total future scheduled principal payments		148,600
Adjustments to reconcile to long-term portion:		
Less: Current portion of PPP loan		(12,102)
Long-term portion of PPP loan balance as of December 27, 2020	\$	136,498

NOTE 7 - CONTINGENCIES

Purchase Obligations

The Company enters into various purchase obligations in the ordinary course of business, generally of short-term nature. Those that are binding primarily relate to commitments for food purchases and supplies, technology services, amounts owed under contractor and subcontractor agreements, and marketing initiatives.

Litigation

From time to time, the Company is involved in certain disputes and legal actions arising in the ordinary course of its business. While it is not feasible to predict or determine the outcome of these proceedings, in management's opinion, based on a review with legal counsel, none of these disputes and legal actions are expected to have a material impact on its consolidated financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and an adverse result in these matters may arise from time to time that may harm the Company's business.

NOTE 8 - SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the consolidated balance sheet date of December 27, 2020, for items that should be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through June 11, 2021, which is the date the consolidated financial statements were available to be issued.

REGO Restaurants Holdings II, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 27, 2020 and December 29, 2019

In April 2021, the Company closed an additional PPP loan in the amount of \$152,079. The loan bears interest at a fixed rate of 1% per annum with the first six months of interest deferred and may be forgiven if at least 60% of the loan proceeds are used by the Company to cover payroll costs, including benefits, and the Company maintains its employment and compensation within certain parameters during the 24-week period following the loan origination date. At the time of this filing, the Company anticipates having a significant amount of this loan forgiven; however, the forgiveness application process is not yet complete. If a portion of the loan is not deemed forgivable, the unqualified portion is to be repaid over five years, accruing interest at 1% per annum.

Form E
GUARANTEE OF PERFORMANCE

For value received, REGO Restaurant Holdings II, LLC and Subsidiaries, a Delaware limited liability company, (the "Guarantor"), located at 4700 S. Syracuse St., Suite 225, Denver, CO 80237, absolutely and unconditionally guarantees to assume the duties and obligations of TDMF Holdings, LLC, located at 4700 S. Syracuse St., Suite 225, Denver, CO 80237 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2022 Franchise Disclosure Document, as it may be amended, and that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Denver, CO on May 10, 2022.

Guarantor:

REGO Restaurant Holdings II, LLC and Subsidiaries

By: 
Name: Tim Casey
Title: CEO



EXHIBIT E

**STATE-SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE
AGREEMENT, AND MULTI-UNIT DEVELOPMENT AGREEMENT**

STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND MULTI-UNIT DEVELOPMENT AGREEMENT

The following modifications are to the TDMF HOLDINGS, LLC Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement, Statement of Franchisee, and Multi-Unit Development Agreement.

CALIFORNIA

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

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

1. ITEM 1 is amended by the addition of the following language to the original language:

"Because you collect information from customers, it may contain personal information of individuals which is protected by law. You are also responsible for complying with all applicable current and future federal, state, and local laws, regulations and requirements, including the California Consumer Privacy Act (as applicable), pertaining to the collection, protection, use, sale, disposal, and maintenance of such personal information. Personal information includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local laws, regulations and requirements. You may also be required to comply with opt-in requirements on your website."

2. ITEM 5 is amended by the addition of the following language to the original language:

"The Department has determined that we, the franchisor, have not demonstrated we adequately capitalize and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open."

3. ITEM 8 is amended by the addition of the following language to the original language:

“TDMF Holdings, LLC. and/or any of its subsidiaries, affiliates, parents agree that it has/or will obtain any required permits and licenses in the State of California to offer or provide the type of goods/services offered/listed in the FDD, and it hereby represents and undertakes to comply with any and all such licensing requirements.”

4. ITEM 17 is amended by the addition of the following language to the original language:

A. The following language is added as a second section before the chart/columns.

THE FRANCHISE AGREEMENT REQUIRES FRANCHISEE TO EXECUTE A GENERAL RELEASE OF CLAIMS UPON RENEWAL OR TRANSFER OF THE FRANCHISE AGREEMENT. CALIFORNIA CORPORATIONS CODE SECTION 31512 PROVIDES THAT ANY CONDITION, STIPULATION OR PROVISION PURPORTING TO BIND ANY PERSON ACQUIRING ANY FRANCHISE TO WAIVE COMPLIANCE WITH ANY PROVISION OF THAT LAW OR ANY RULE OR ORDER THEREUNDER IS VOID.

5. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
6. The Franchise Agreement and the Multi-Unit Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).
7. The Franchise Agreement and the Multi-Unit Development Agreement contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
8. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
9. The Franchise Agreement and the Multi-Unit Development Agreement require binding arbitration. The arbitration will occur only in the State of Colorado with the costs being borne by the Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement and development agreement restricting venue to a forum outside the State of California.
10. The Franchise Agreement and the Multi-Unit Development Agreement require application of the laws of the State of Colorado. This provision may not be enforceable under California law.
11. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code §§ 20000 through 20043).

12. The RECEIPT Pages (“LAST PAGE”), are amended to add the following language:

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

13. The Franchise Agreement is hereby amended to include the following language:

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to reply upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provisions supersedes any other or inconsistent term of any document executed in connection with the franchise.

14. The Area Development Agreement is hereby amended to include the following language:

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to reply upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provisions supersedes any other or inconsistent term of any document executed in connection with the franchise.

HAWAII

The following is added to the Cover Page:

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

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

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

The following list reflects the status of the franchise registrations of the Franchisor in the states which require registration:

1. This proposed registration is effective in the following states:

None
2. This proposed registration is or will shortly be on file in the following states:

Hawaii and Washington
3. States which have refused, by order or otherwise, to register these franchises are:

None
4. States which have revoked or suspended the right to offer the franchises are:

None
5. States in which the proposed registration of these franchises has been withdrawn are:

None

ILLINOIS

The Agreement is amended by an additional “Miscellaneous” Section to the end of the original language that appears therein:

1. “The conditions under which a franchise can be terminated and your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.”
2. “Section 4 of the Illinois Franchise Disclosure Act dictates that any provision in a Franchise Agreement which designates jurisdiction or venue in a forum outside of this state is void with respect to any cause of action which otherwise is enforceable in this state.”
3. “Any governing law or choice of law clause granting authority to a state other than Illinois effectively negates the Illinois Franchise Disclosure Act. Therefore, the Franchise Agreement and Multi-Unit Development Agreement will be interpreted and construed under the Illinois Franchise Disclosure Act.”
4. “Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.”

Article 24 (“Dispute Resolution”) of the Franchise Agreement and Article 7 (“Dispute Resolution; Indemnification”) of the Multi-Unit Development Agreement are amended by the addition of the following language to the original language that appears therein:

A. “Section 4 of the Illinois Franchise Disclosure Act dictates that any provision in a Franchise Agreement which designates jurisdiction or venue in a forum outside of this state is void with respect to any cause of action which otherwise is enforceable in this state.”

B. “Any governing law or choice of law clause granting authority to a state other than Illinois effectively negates the Illinois Franchise Disclosure Act. Therefore, the Franchise Agreement will be interpreted and construed under the Illinois Franchise Disclosure Act.”

C. Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.”

The RECEIPT Pages (“LAST PAGE”), is amended as follows:

IF TDMF HOLDINGS, LLC OFFERS YOU A FRANCHISE, TDMF HOLDINGS, LLC. MUST PROVIDE THIS FRANCHISE DISCLOSURE DOCUMENT TO YOU BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- (2) FOURTEEN CALENDAR DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR
- (3) FOURTEEN CALENDAR DAYS BEFORE A PAYMENT TO TDMF HOLDINGS, LLC.

Intending to be legally bound, Franchisor and Franchisee sign and deliver this Addendum effective on the date of the Agreement.

FRANCHISOR

FRANCHISEE (If an Individual):

BY: _____

BY:

Name: _____

Name:

Title: _____

Title:

Date: _____

Date:

If a corporation, limited liability
company or partnership

Name of corporation, limited liability
company or partnership:

By:

Print Name:

Title:

INDIANA

1. The second Risk Factor is amended to read as follows:
“INDIANA LAW IS CONTROLLING FOR INDIANA FRANCHISEES.”
2. ITEM 3 is amended by the addition of the following language to the original language that appears:
“Company is not involved in any pending arbitration and has not, during the ten (10) year period before the date of this Franchise Disclosure Document, been a party to any arbitration proceeding.”
3. ITEM 5 is amended by the addition of the following language to the original language that appears:
“Indiana law prohibits franchisors from requiring their franchisees to prospectively agree to a release, assignment, novation, waiver or estoppel that attempts to relieve any person from liability.”
4. ITEM 6 (“indemnification” reference) is amended by the addition of the following language to the original language as follows:
“(Indiana Code 23-2-2.7-1[5] prohibits this provision)”
5. ITEM 8 is amended by the addition of the following language to the original language that appears:
“Company retaining any rebates, commissions or other consideration paid by suppliers will not apply to any Indiana franchisee as stated in Indiana Code, Title 23, Article 2, Chapter 2.7-1(4).”
6. ITEM 14 is amended by the addition of the following language to the original language that appears:
“If there is an alleged breach of Section 15, Company may be entitled to seek immediate equitable remedies, including, restraining orders and injunctive relief to safeguard the proprietary and confidential information.”
7. ITEM 17(c) is amended by the addition of the following language to the original language that appears:
“(Indiana Code Title 23-2-2.7-(5) prohibits this provision)”
8. ITEM 17(m) is amended by the addition of the following language to the original language that appears:
“(Indiana Code Title 23-2-2.7-(5) prohibits this provision)”
9. ITEM 17(t) is amended by the addition of the following language to the original language that appears:
“(subject to Indiana law)”
10. ITEM 17(v) is amended by the addition of the following language to the original language that appears:
“(Indiana Code Title 23-2-2.7-1(10) prohibits this provision)”

11. ITEM 17(w) is amended by the addition of the following language to the original language that appears:

“(subject to Indiana law)”

12. ITEM 17 is further amended by the addition of the following language to the original language that appears:

“Indiana law prohibits franchisors from requiring their franchisees to prospectively agree to a release, assignment, novation, waiver or estoppel that attempts to relieve any person from liability.”

“Company will not permit a franchise to sell or renew without good cause or in bad faith. However, Indiana law does not prohibit a Franchise Agreement from providing that the agreement is not renewable on expiration or that the agreement is renewable if you meet certain conditions specified in the agreement.”

“Unilateral termination of the franchise is not permitted under Indiana law if the termination is without good cause or in bad faith. Good cause within the meaning of Indiana law includes any material violation of the Franchise Agreement.”

“Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee’s reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.”

“You are not responsible for tortious claims from Company’s gross negligence or willful misconduct in the making of or causing of the changes necessary in Company’s protection of its Marks.”

“Indiana prohibits covenants not to compete in an area greater than the Area of Primary Responsibility; therefore, you agree to abide by the covenants not to compete terms within the Designated Territory as defined in this Franchise Agreement.”

“If there is an alleged breach of Sections 9 or 10 of the Franchise Agreement, Company may be entitled to seek immediate equitable remedies, including, restraining orders and injunctive relief to safeguard the proprietary and confidential information.”

“Indiana prohibits the limitation of litigation brought for breach of the Franchise Agreement in any matter. Any terms, which designate jurisdiction or venue or require you to agree to jurisdiction or venue in a forum outside of Indiana is void concerning any cause of action, which is otherwise enforceable in Indiana. The Franchise Agreement and all related agreements will be interpreted and construed under the Indiana Franchise Laws, except to the extent governed by the United States Trademark Act of 1946.”

“If there is an alleged breach of Section 15, Company may be entitled to seek immediate equitable remedies, including, restraining orders and injunctive relief to safeguard the proprietary and confidential information.”

“Despite anything to the contrary in this provision, the franchisee does not waive any right under the Indiana statutes with regard to prior representations made in the Indiana Uniform Franchise Offering Circular.”

MARYLAND

The Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement are amended to include the following modifications:

All representations requiring prospective franchisees to assent to a release, estoppel or waive of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

1. The “Summary” sections of ITEM 17(v) and 17(w) entitled Choice of Forum and Choice of Law, respectively, are amended by the addition of the following language:

“, except for claims arising under the Maryland Franchise Registration and Disclosure Law (Section 14-216[25]), including the right to submit matters to the jurisdiction of the courts of Maryland.”

2. The following sentence is added to the end of Section 3.3.3 of the Franchise Agreement:

“Provided, however, that the general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Laws.”

3. The following sentence is added to the end of Section 17.2.9 of the Franchise Agreement:

“Provided, however, that the general release required as a condition of transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Laws.”

4. ITEM 17 of the Franchise Disclosure Document and sections of the Franchise Agreement and Multi-Unit Development Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration & Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. ITEM 17 of the Franchise Disclosure Document is hereby amended to the extent required under the Maryland Franchise Registration and Disclosure Laws.

6. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 *et seq.*).

7. EXHIBIT F to the Franchise Disclosure Document, Statement of Franchisee, is amended to state that all representations requiring prospective franchisees to assent to a release, estoppel or waive of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Intending to be legally bound, Franchisor and Franchisee sign and deliver this Addendum effective on the date of the Agreement.

FRANCHISOR

FRANCHISEE (If an Individual):

BY: _____

BY:

Name: _____

Name:

Title: _____

Title:

Date: _____

Date:

If a corporation, limited liability
company or partnership

Name of corporation, limited liability
company or partnership:

By:

Print Name:

Title:

MINNESOTA

1. Risk Factors: The first Risk Factor is amended by the addition of the following language at the end thereof:

“MINNESOTA STATUTE SECTION 80C.21 AND MINNESOTA RULE PART 2860.4400J PROHIBIT FRANCHISOR FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA. IN ADDITION, NOTHING IN THE FRANCHISE DISCLOSURE DOCUMENT OR AGREEMENTS CAN ABROGATE OR REDUCE ANY OF YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES, CHAPTER 80C, OR YOUR RIGHTS TO ANY PROCEDURE, FORUM OR REMEDY PROVIDED FOR BY THE LAWS OF THE JURISDICTION.”

2. The following Sections are added at the end of ITEM 13:

“The Minnesota Department of Commerce requires that the Company indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee’s use of the Company’s trademark infringes trademark rights of the third party. The Company does not indemnify against the consequences of the franchisee’s use of the Company’s trademark except in accordance with the requirements of the franchise, and, as a condition to indemnification, the franchisee must provide notice to the Company of any claim within ten (10) days and tender the defense of the claim to the Company. If the Company accepts the tender of defense, the Company has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.”

3. The first sentence of the “Summary” section of ITEM 17(c) entitled Requirements for you to Renew or Extend is deleted in its entirety and the following is substituted in its place:

“You must have complied, and continue to comply, with all provisions of all agreements and must execute our then-current form of Franchise Agreement and sign general releases of all claims against us, provided however, that such general releases shall not apply to any claims arising under the Minnesota Franchise Law.”

4. All franchise contracts or agreements, and any other device or practice of a Company other than those classifications of franchises specifically recognized by the Commissioner will conform to the following provisions. It is an unfair and inequitable practice for any Company to:

A. Terminate or cancel a franchise without first giving written notice setting forth all the reasons for the termination or cancellation to the franchisee at least ninety (90) days in advance of termination or cancellation, and the franchisee fails to correct the reasons stated for termination or cancellation in the notice within sixty (60) days of receipt of the notice. However, the notice will be effective immediately upon receipt where the alleged grounds for termination or cancellation are:

- (i) Voluntary abandonment of the franchise relationship by the franchisee;
- (ii) The conviction of the franchisee of an offense directly related to the business conducted pursuant to the franchise; or
- (iii) Failure to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the Company’s trade name, trademark, service mark, logotype or other

commercial symbol after the franchisee has received written notice to cure at least twenty-four (24) hours in advance thereof;

B. Terminate or cancel a franchise except for good cause. "Good cause" means failure by the franchisee to substantially comply with the material and reasonable franchise requirements imposed upon him by the Company including, but not limited to:

- (i) The bankruptcy or insolvency of the franchisee;
- (ii) Assignment for the benefit of creditors or similar disposition of the assets of the franchised business;
- (iii) Voluntary abandonment of the franchised business;
- (iv) Conviction or a plea of guilty or no contest to a charge of violating any law relating to the franchised business; or
- (v) Any act by or conduct of the franchisee which materially impairs the goodwill associated with the Company's trademark, trade name, service mark, logotype or other commercial symbol; or

C. Except for failure to renew a franchise for good cause as defined in Section 2 above, and the franchisee has failed to correct reasons for termination as stated in Section 1 above, no person may fail to renew a franchise unless:

- (i) The franchisee has been given written notice of the intention not to renew at least one hundred eighty (180) days in advance of the expiration of the franchise; and
- (ii) The franchisee has been given an opportunity to operate the franchise over a sufficient period of time to enable the franchisee to recover the fair market value of the franchise as a growing concern, as determined and measured from the date of the failure to renew. No Company may refuse to renew a franchise if the refusal is for the purpose of converting the franchisee's business premises to an operation that will be owned by the Company for its own account.

D. Unreasonably withhold consent to an assignment, transfer, or sale of the franchise whenever the franchisee to be substituted meets the present qualifications and standards required of the franchisees of the particular Company.

5. Requirements for you to renew or extend: "Minnesota Rules, 1989, Department of Commerce, Chapter 2860, Section 4400D prohibits a Company from requiring a Franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, section 80C.01 to 80C.22; provided, that this part shall not bar the voluntary settlement of disputes."

6. "Minn. Rule 2860.4400J. states that it is unfair and inequitable for a franchisor to require a franchisee to waive his rights to any forum provided for by the laws of jurisdiction. Any language found in the Franchise Disclosure Document contrary to this rule is amended so that it does not apply to Minnesota franchisees."

7. Franchisee cannot consent to the Franchisor obtaining injunctive relief. Franchisor may seek injunctive relief.

8. Pursuant to Minn. Stat. Sec. 80C.17, Subd. 5, to the extent required by law, the Franchise Agreement, the Multi-Unit Development Agreement, and Item 17 of the Franchise Disclosure Document are amended to state that no action may be commenced pursuant to this section more than three years after the cause of action accrues.

Intending to be legally bound, Franchisor and Franchisee sign and deliver this Addendum effective on the date of the Agreement.

FRANCHISOR

FRANCHISEE (If an Individual):

BY: _____

BY:

Name: _____

Name:

Title: _____

Title:

Date: _____

Date:

If a corporation, limited liability
company or partnership

Name of corporation, limited liability
company or partnership:

By:

Print Name:

Title:

NEW YORK

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

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

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

NORTH DAKOTA

1. ITEM 17 of the Franchise Disclosure Document and corresponding Sections of the Franchise Agreement are amended by the addition of the following language to the original language or deleted as indicated:

A. “Requirements for you to renew or extend” (ITEM 17(c) of the Franchise Disclosure Document, and Section 3.3 of the Franchise Agreement) are amended to include the following language: “The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.”

B. “Your obligations on termination/non-renewal” (ITEM 17(i) and Section 15 of the Franchise Agreement) are amended to read:

“The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney fees.”

C. “Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.”

D. “Dispute resolution by arbitration or mediation” (ITEM 17(u) of the Franchise Disclosure Document, Section 24.1 of the Franchise Agreement, and Section 7.1 of the Multi Unit Development Agreement) is amended to read as follows:

“The site of arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee’s place of business.”

E. “Choice of Forum” (ITEM 17(v) of the Franchise Disclosure Document, Section 24.3 of the Franchise Agreement, and Section 7 of the Multi Unit Development Agreement) is amended with the following language:

“Any action will be brought in the appropriate state or federal court in North Dakota.”

F. The “Choice of Law” (ITEM 17(w) of the Franchise Disclosure Document, Section 24.2 of the Franchise Agreement, and Section 7 of the Multi Unit Development Agreement) is amended to read as follows:

“This Agreement takes effect upon its acceptance and execution by Company in North Dakota.”

2. “Payment of Costs and Expenses” (Section 21.2 of the Franchise Agreement) is amended to allow the prevailing party in any enforcement action to recover all costs and expenses including attorney’s fees.

3. “Covenants” (Section 23.3 of the Franchise Agreement) is amended by the addition of the following language to the original language that appears therein:

“Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.”

4. “Potential Awards” (Sections 24.1.3 of the Franchise Agreement) is amended to delete any reference to a waiver of exemplary or punitive damages.

5. “Waiver of Jury Trial” (Section 24.4 of the Franchise Agreement) is deleted in its entirety.

6. “Limitation of Claims” (Section 24.6 of the Franchise Agreement) is amended to delete any reference to a waiver of exemplary or punitive damages and the second and third sentences of this Section will be deleted in their entirety and read as follows:

“Except with regard to Franchisee’s obligation to pay Franchisor and its affiliates Royalty payments, the Marketing Fee and other advertising fees, and other payments due from Franchisee pursuant to this Agreement or otherwise, any claims between the parties must be commenced within the time period allowable under North Dakota law.”

7. “Acknowledgements” (Section 28.9 of the Franchise Agreement) is amended by the addition of the following language to the original language that appears therein to read as follows:

“Franchisee acknowledges that Franchisee received a copy of this Agreement, the attachments hereto, if any, and agreements relating thereto, if any, at least seven (7) days prior to the date on which this Agreement was executed.”

8. ITEM 5 of the Franchise Disclosure Document, Section 5.1 of the Franchise Agreement and Section 3 of the Multi Unit Development Agreement are amended to state the following:

“Franchisor will defer collection of all initial franchise fees until Franchisor fulfills all initial obligations owed to Franchisee under the Agreement or other documents and the Franchisee has opened for business.”

RHODE ISLAND

1. The “Renewal, Termination, and Dispute Resolution” (ITEM 17) is amended by the addition of the following language to the original language:

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

2. ITEM 17(v) is amended as follows:

“This Section is invalid under Rhode Island General Law Section (19.28.1-4)”

3. ITEM 17(w) is amended as follows:

“This Section is invalid under Rhode Island General Law Section (19-28.1-14)”

SOUTH DAKOTA

1. The “Summary” section of ITEM 17(g) entitled “Cause” Defined - Defaults Which Can Be Cured, is deleted in its entirety and the following is substituted in its place:

“If you fail to pay any amounts due to us or our affiliates and do not cure the breach within 30 days’ notice from us, you have 30 days to cure any other default (except those defaults listed in (h).”

2. The “Summary” section of ITEM 17(r) of the Franchise Disclosure Document and Section 23.3 of the Franchise Agreement are amended as follows:

“Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota.”

3. The “Summary” sections of ITEMS 17(v) and 17(w) entitled Choice of Forum and Choice of Law, respectively, are amended by the addition of the following language:

“Any provision in the Franchise Agreement restricting jurisdiction or venue to a forum outside of South Dakota or requiring the application of the laws of any other state is void with respect to a claim otherwise enforceable under the South Dakota Franchise Act.”

“Pursuant to SDCL 37-5B, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order thereunder is void. Any acknowledgement provision, disclaimer or integration clause or a provision having a similar effect in a Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter.”

VIRGINIA

The Franchise Disclosure Document is amended as follows:

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia shall be amended as follows:

ITEM 17(h) is amended by the addition of the following language:

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

4. Pursuant to the VRFA, the FTC Cover Page and the ITEM 23 Receipts at Exhibit J are modified by adding the word “calendar” between the words “14” and “days” at the end of the second Section so each reads as follows:

“If Quiz Holdings, LLC offers you a franchise, Quiz Holdings, LLC must provide the Franchise Disclosure Document to you 14 calendar days (commencing the day after delivery of this Franchise Disclosure Document) before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.”

WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

If Franchisor exercises its option to purchase the following assets of the Franchisee upon a termination or expiration of this Agreement, Franchisor will purchase any of Franchisee's inventory, supplies, equipment, and furnishings purchased from Franchisor, and good will, exclusive of personalized materials which have no value to Franchisor, and inventory, supplies, equipment and furnishings not reasonably required in the conduct of the Franchised Business for their fair market value, provided, that (a) compensation need not be made to Franchisee for good will if: (i) Franchisee has been given one year's notice of nonrenewal and (ii) Franchisor agrees in writing not to enforce any covenant which restrains Franchisee from competing with Franchisor; and, (b) Franchisor may offset against amounts owed to Franchisee any amounts owed by Franchisee to Franchisor.

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

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

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Multi-Unit Development Agreement, the State of Washington will require that they franchise fees be released proportionately with respect to each franchised business.

Item 5 is amended to disclose the following: Persons who receive financial incentives to refer franchise prospects to us may be required to register as franchise brokers under the laws of some states.

The "Development Fee and Reduced Initial Franchise Fee" section of Item 5 is amended by deleting the sentence "It is fully earned at the time you make the payment to us and is not refundable regardless of whether you ultimately open any or all of your TACO DEL MAR Restaurants" and replacing it with the "It is fully earned at the time you make the payment to us, is not refundable regardless of whether you ultimately open any or all of your TACO DEL MAR Restaurants, and is a separate payment from and not applied to the Reduced Initial Franchise Fee."

Item 6 of the FDD and Section 24.5 of the Franchise Agreement are amended by removing the liquidated damages provision in its entirety.

Item 6 is amended to include the following table and fees:

Type of Fee	Amount	Due Date	Remarks
Replacement Designated Manager Training Fee	Currently Included, but subject to change	As incurred	Currently there is no charge, but there is the likelihood that in the future there will be a charge to send a replacement for your designated manager to be trained.
Security Breach Fee	Will vary under circumstances	As incurred	You must reimburse us and our affiliates all costs and expenses incurred relating to an investigation and remedy involving an actual or suspected breach of personal information.
Brand Standards Inspection Fee	Will vary under circumstances	As incurred	You must reimburse us and our affiliates for any expenses associated with a brand standards inspection if we give you notice that you have not complied with Brand Standards.
Tax Reimbursement	Will vary under circumstances	As incurred	You must reimburse us for any taxes that we pay on your behalf to any state taxing authority on account of either your operation or payments that you make to us.

Item 7 is amended by addition of the following:

Type of Expenditure¹	Amount²	Method of Payment	When Due	To Whom Payment is to be Made
Real Estate Costs	\$2,500 to \$8,000	As Agreed	Monthly	Landlord
TOTAL ESTIMATED INITIAL INVESTMENT	\$181,250 - \$349,500			

Item 11 is amended by addition of the following language:

“You must obtain our written consent prior to commencing operation of the TACO DEL MAR Restaurant. In order to get our consent we must have already accepted your Franchised Location and complete the following: (1) Successfully complete the initial training program; (2) pay all fees and other amounts due to us and our affiliates; (3) provide copies of all insurance policy documents required by the Franchise Agreement; (4) complete the build-out and equip the Franchised Location in accordance with ours and our affiliates’ standards and specifications; (5) purchase an inventory of approved products and supplies; (6) enter into required contracts with required service providers; (7) meet minimum uniform requirements; (8) otherwise complete all other aspects of developing the TACO DEL MAR Restaurant as we have reasonably required.”

Item 12 is amended to disclose the following reservation:

(5) develop TACO DEL MAR Restaurants and/or Competitive Businesses inside or outside the Protected Area if they are located within a host facility (such as a gas station, convenience store, interstate service plaza or similar facility), in another “non-traditional” venue, or at any other location where the operation of the TACO DEL MAR Restaurant will, because of location, vary from the operation of a traditional TACO DEL MAR Restaurant, as solely determined by Franchisor

Item 15 is amended by deleting the final paragraph in the section in its entirety and replacing it with the following:

“We require each of your Bound Parties, Designated Managers, and all of your employees who have access to confidential information to execute a form of Nondisclosure and Noncompetition Agreement acceptable to us, except as otherwise restricted by state law. However, your employees whom you deem to qualify as nonexempt employees under the Fair Labor Standards Act (FLSA) or state law are not required to sign any such agreement.”

The “Summary” section of Item 17a is amended by addition of the following language: “The Development Agreement will commence as of the Effective Date and, except as otherwise provided within the agreement, will end on the date which the last TACO DEL MAR Restaurant required to be opened commences operations.”

The “Summary” section of Item 17c is amended by adding replacing “execute a general release” with “execute a general release in accordance with state law”.

The “Section in franchise or other agreement” section of Item 17d is amended by replacing “Not applicable” with “Section 18.3 of the Franchise Agreement; Section 5.5 of the Multi-Unit Development Agreement.”

The “Summary” section in Item 17c is amended by replacing “Not applicable” with “Franchisee and Developer that if provisions of termination or expiration are inconsistent with state or federal law, such law will govern Franchisee’s and Developer’s rights regarding termination or expiration.”

The “Summary” section in Item 17m is amended by replacing “you must execute a non-disparagement agreement and general release of claims against us” with “you must execute a non-disparagement agreement and general release of claims against us in accordance with state law.”

Item 17 is amended by inserting the following language into the table:

Provision	Section in franchise or other agreement	Summary
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x.	Conditions for Franchisor's approval of transfer of Development Rights	Section 6.1 of the Multi-Unit Development Agreement	Not Assignable unless approved by Franchisor. Required that Initial Franchise Agreement/s be assigned accordingly. New Developer must own 100% of the equity and voting power of the new Entity and that all the assets of the TACO DEL MAR Restaurant are owned and conducted by that Entity. New Entity must do no other TACO DEL MAR Restaurant other than that which is in the Initial Franchise Agreement. New Entity must expressly assume Developer's obligations. Developer will remain personally liable under the Development Agreement and the Initial Franchise Agreement as if transfer never occurred.
y.	Automatic termination of Multi-Unit Development Agreement by franchisor	Section 5.1 of the Multi-Unit Development Agreement	All rights of the Developer are automatically terminated if Developer: becomes insolvent by reason of any affirmative act of insolvency by Developer, filing by trustee, assignment for the benefit of creditors, failure to dismiss suit against Developer by 3 rd party within thirty days, or termination or default in the individual Development Franchise Agreements.
z.	Defaults of the Multi-Unit Development Agreement by Developer	Section 5.2 of the Multi-Unit Development Agreement	Developer fails to comply with Development Schedule, Developer breaches the MUD, Developer makes material misrepresentations or omissions on financial or similar documents, any franchise agreement executed by Developer is in default or terminated, violation of transfer or assignment of section 6.
aa.	Franchisor rights upon default by developer	Section 5.3 of the Multi-Unit Development Agreement	Options Franchisor has at sole discretion if Developer is in default: Terminate MUD, reduce number of TACO DEL MAR Restaurants to be developed, terminate exclusivity, any other rights and remedies Franchisor may have.

Section 21.1 of the Franchise Agreement is amended by deleting the final sentence in the section and replacing it with the following language:

“Such loss, claims, costs, expenses, damages and liabilities will include, without limitation, those arising from latent or other defects in the TACO DEL MAR Restaurant, whether or not discoverable by Franchisor, and those arising from the death or injury to any person or arising from damage to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence, but exclude the gross negligence, strict liability, willful misconduct, or fraud, of Franchisor or any of its agents or employees.”

Section 27.9 of the Franchise Agreement has been amended by replacing the entirety of the section with the following:

“No statement, representation, or other act, event, or communication, except as set forth in this document and in any Franchise Disclosure Document supplied to Franchisee, is binding on Franchisor in connection with the subject matter of this Agreement except as otherwise restricted by state law.”

Section 27.9.1.2 of the Franchise Agreement has been amended by replacing the entirety of the section with the following language:

“FRANCHISEE HAS NOT BEEN GIVEN ANY ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, BY FRANCHISOR OR ITS REPRESENTATIVES AS TO THE POTENTIAL SUCCESS OF THE TACO DEL MAR RESTAURANT, THE VIABILITY OF ANY TACO DEL MAR RESTAURANT LOCATION OR THE EARNINGS LIKELY TO BE ACHIEVED FROM THE OPERATION OF THE TACO DEL MAR RESTAURANT.

The following requires the Franchisee to respond yes or no. Please initial the applicable response:

Does the Franchisee acknowledge that no statement, representation, or other act, event, or communication, except as set forth in this document and in any Franchise Disclosure Document supplied to Franchisee, is binding on Franchisor in connection with the subject matter of this Agreement? Yes _____ No _____”

Section 8.3 of the Multi-Unit Development Agreement has been amended by replacing the entirety of the section with the following language:

“THE SUCCESS OF THE DEVELOPER IN MANAGING AND OPERATING MULTIPLE TACO DEL MAR RESTAURANTS IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, DEVELOPER’S INDEPENDENT BUSINESS ABILITY. DEVELOPER HAS BEEN GIVEN THE OPPORTUNITY AND BEEN ENCOURAGED TO OBTAIN INDEPENDENT ADVICE FROM LEGAL AND OTHER PROFESSIONALS BEFORE ENTERING INTO THIS AGREEMENT. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT, AND SUPERVISE EMPLOYEES OF THE TACO DEL MAR RESTAURANTS RESTS SOLELY WITH DEVELOPER.

The following requires the Developer to respond yes or no. Please initial the applicable response:

- A. DOES THE DEVELOPER ACKNOWLEDGE THAT NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY FRANCHISOR TO INDUCE DEVELOPER TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN? Yes _____
No _____

- B. DOES THE DEVELOPER ACKNOWLEDGE THAT THE FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY, OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SUCCESS OF THE BUSINESS VENTURE TO DEVELOPER AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER DEVELOPER’S BUSINESS? Yes_____ No_____
- C. DOES THE DEVELOPER ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY FRANCHISOR OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN? Yes_____ No_____”

Exhibit F of the Franchise Development Agreement is amended by deleting the following sentence “No representations contained herein are intended to or will act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law” and replacing it with “No representations contained herein are intended to or will act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law and the Washington Franchise Investment Protection Act.”

Intending to be legally bound, Franchisor and Franchisee sign and deliver this Addendum effective on the date of the Agreement.

FRANCHISOR

FRANCHISEE (If an Individual):

BY:_____

BY:

Name:_____

Name:

Title:_____

Title:

Date:_____

Date:

If a corporation, limited liability
company or partnership

Name of corporation, limited liability
company or partnership:

By:

Print Name:

Title:

WISCONSIN

“The State of Wisconsin has not reviewed and does not endorse, approve, recommend, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.”



EXHIBIT F

FRANCHISEE QUESTIONNAIRE AND ACKNOWLEDGEMENT

FRANCHISEE QUESTIONNAIRE AND ACKNOWLEDGEMENT

As you know, TDMF Holdings, LLC (“**Franchisor**”) and you are preparing to enter into a Franchise Agreement for the operation of a franchised TACO DEL MAR Restaurant franchise (“**Franchise**”). The purpose of this Questionnaire and Acknowledgment is to demonstrate to Franchisor that you, whether acting individually or on behalf of any legal entity established to acquire the franchise rights: (a) fully understand that the purchase of a Franchise is a significant long-term commitment, complete with associated risks; and (b) are not relying on any statements, representations, promises, or assurances that Franchisor has not authorized, that may be untrue, inaccurate, or misleading, and are not specifically set forth in Franchisor’s Franchise Disclosure Document and exhibits (collectively, the “**FDD**”) in deciding to purchase the Franchise; and (c) are making all of the representations and warranties contained in the Prohibited Parties Clause set forth below.

Please review each of the following questions carefully and provide honest responses to each question.

QUESTION	YES	NO
1. Have you received and personally reviewed the Franchisor’s FDD provided to you?		
2. Did you sign a receipt for the FDD indicating the date you received it?		
3. Do you understand all of the information contained in the FDD?		
4. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
5. Please insert the date on which you received a copy of the Franchise Agreement with all material blanks fully completed:_____		
6. Do you understand the terms of and your obligations under the Franchise Agreement?		
7. Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant, or other professional advisor?		
8. Do you understand the risks associated with operating the Franchise and that buying a franchise is not a guarantee of success?		
9. Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities (and those of your partners, officers, and employees), the time you and your associates devote to the business, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
10. Have you made your own independent determination as to whether you have the capital necessary to fund the business and your living expenses, particularly during the start-up phase?		

QUESTION	YES	NO
11. Has any employee or other person speaking on behalf of the Franchisor (including any franchise broker) made any statement, promise, or assurance regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from, any information contained in the FDD?		
12. Has any employee or other person speaking on behalf of the Franchisor (including any franchise broker) made any statement, promise, or assurance concerning the total amount of revenue the Franchise will generate that is contrary to, or different from, any information contained in the FDD?		
13. Has any employee or other person speaking on behalf of the Franchisor (including any franchise broker) made any statement, promise, or assurance regarding the costs involved in operating the Franchise that is contrary to, or different from, any information contained in the FDD?		
14. Has any employee or other person speaking on behalf of the Franchisor (including any franchise broker) made any statement, promise, or assurance concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, any information contained in the FDD?		
15. Has any employee or other person speaking on behalf of the Franchisor (including any franchise broker) made any statement, promise, assurance, or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance relating to the Franchise that is contrary to, or different from, any information contained in the FDD?		

If you answered “**Yes**” to any of questions eleven (11) through fifteen (15), please provide a full explanation of your answer in the following blank lines. Attach additional pages, if necessary, and refer to them below. If you have answered “**No**” to each of the foregoing questions, please leave the following lines blank.

You understand that your answers are important to us and that we will rely on them. By signing this Questionnaire and Acknowledgement below, you are representing that you have responded truthfully to the above questions. No representations contained herein are intended to or will act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Prohibited Parties Clause. By signing below, you acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the right to operate the Franchise, you hereby represent that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been listed on:

1. The U.S. Treasury Department's List of Specially Designated Nationals;
2. The U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;
3. The U.S. State Department's Debarred List or Nonproliferation Sanctions; or
4. The Annex to U.S. Executive Order 13224.

You warrant that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. You warrant that you are now, and have been, in compliance with U.S. anti-money laundering and counterterrorism financing laws and regulations, and that any funds provided by you to Franchisor were legally obtained in compliance with these laws.

You further covenant that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

[Signature page to follow]

Sign here if you are taking the franchise as an
INDIVIDUAL(S)

(Note: use these blocks if you marked in Exhibit B
that you are an individual or a partnership but the
partnership is not a separate legal entity)

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Sign here if you are taking the franchise as a
**CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP**

Print Name of Legal Entity

By: _____
Signature

Print Name: _____
Title: _____
Date: _____

[SIGNATURE PAGE TO FRANCHISEE QUESTIONNAIRE AND ACKNOWLEDGEMENT]



EXHIBIT G

PRE-TRAINING CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

This Confidentiality and Non-Disclosure Agreement (the “Confidentiality Agreement”) is entered into as of the ____ day of _____, 2020 by and between TDMF Holdings, LLC, successor in interest to TDM Franchising, LLC, the franchisor of the Taco Del Mar restaurant system in the United States, or any subsequent or successor franchisor of Taco Del Mar restaurant system (“TDM”, and together with its and their affiliates, the “Company”), and the undersigned, a prospective franchisee of TDM (the “Recipient”).

A. The Recipient has executed a purchase agreement with an existing Taco Del Mar franchise owner (the “Seller”) pursuant to which Recipient has agreed to purchase the Seller’s Taco Del Mar Restaurant and to assume the Seller’s rights and obligations under the Seller’s franchise agreement (the “Acquisition”). As of the date hereof, Recipient has not executed an assignment and assumption agreement pursuant to which Recipient will assume the rights and obligations of the Seller’s franchise agreement with Company (the “Assignment and Assumption Agreement”).

B. Company has entered, or will enter, into a conditional consent agreement with the Seller pursuant to which Company conditionally approves the Acquisition (the “Conditional Consent Agreement”). The Recipient desires to enroll and participate in training conducted by TDM (the “Training”) as a condition to Company approving the Acquisition in accordance with the Conditional Consent Agreement, and Company agrees to permit Recipient to enroll and participate in the Training, subject to the terms and conditions of this Confidentiality Agreement.

In order for the Training to proceed, it will be necessary for the Company to disclose to Recipient certain information about its businesses which the parties acknowledge and agree is the Company’s confidential and proprietary information. In consideration of the disclosure of such information, Recipient agrees to the following terms and conditions:

1. Confidential Information Defined. For purposes of this Confidentiality Agreement, Confidential Information means nonpublic proprietary information, or information or materials considered proprietary by the Company, whether or not designated as “Confidential Information” by the Company. Confidential Information includes, but is not limited to, the Company operations manuals; the whole or any portion or phase of any technical information, design, process, procedure, formula, invention or improvement relating to the Company’s business, technology, product research or development; confidential business or financial information; lists of customer names, addresses or telephone numbers; marketing strategy and data; purchasing and pricing data; proposed advertising, promotion and marketing plans; samples, models, drawings, compilations, devices, methods, designs, techniques and specifications; business policies or practices; sales and profit and loss data; other information relating to any business or profession of the Company which is secret and of value; contractual agreements; source or object codes; algorithms and libraries; software data structures; product development information; business rules, unannounced products; contents of customer proposals; contents of all contracts with all former, existing, and prospective customers and clients; costing and estimating procedures and formulas regarding proposals and other uses; profit margin, production costs, overhead, and other bookkeeping and accounting information; all information regarding business development and marketing; names and identities of vendors and suppliers not well known to the trade; all contacts at all such vendors and suppliers

whether or not such vendors or suppliers are well known to the trade; costs and contents of proposals and actual contracts with such vendors and suppliers; and any other information that may be considered by the Company to be the Company's confidential information under applicable laws, including all information about the Company that is not generally known to the public, whether oral, in writing, electronic or in some other form relating to the Company's business or its parents, affiliates, subsidiaries or persons with whom the Company does business or other parties to whom the Company owes an express or implied obligation of confidentiality, whether furnished by the Company or by any other person to whom the Company has furnished any Confidential Information.

2. Confidentiality. Recipient, on behalf of itself and its affiliates and their respective employees, officers, shareholders, partners, directors, principals, representatives and agents, agrees to maintain as confidential all Confidential Information disclosed to the Recipient or to which it is exposed during the course of the Training. The Recipient agrees not to, directly or indirectly, disclose any Confidential Information to any third party, nor shall the Recipient use any of the Confidential Information for their own benefit. The Recipient will not directly or indirectly reproduce or copy any Confidential Information or any part of it and will make no use of any Confidential Information for any purpose whatsoever unless and until the Recipient becomes a franchisee of the Company, and then only in accordance with the provisions of the Assignment and Assumption Agreement.

3. Value. The Confidential Information has been developed by the Company and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public and is of substantial value.

4. Proprietary. The Confidential Information is proprietary, confidential and constitutes a trade secret of the Company and its affiliates.

5. No Prior Experience. The Recipient specifically acknowledges and agrees that prior to the execution of this Confidentiality Agreement, the Recipient had no experience, information or knowledge whatsoever about operating a restaurant that offers and sells a variety of Mexican-style food as its primary menu items or a Taco Del Mar restaurant, and that the Recipient's knowledge of the Confidential Information was obtained solely from the Company pursuant to this Agreement. In addition, the Recipient specifically acknowledges that, pursuant to this Confidentiality Agreement, the Recipient will receive valuable Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of the Company and the Taco Del Mar system, which are unique and proprietary to the Company, derive independent economic value from not being generally known to the public and are the subject of the Company's efforts and that are reasonable under the circumstances to maintain their secrecy.

6. Return of Information. In the event the Assignment and Assumption Agreement between Seller and Recipient is not executed by the parties thereto, Recipient fails to successfully complete Training, or the Acquisition is not consummated for any reason, upon Company's request (a) Recipient shall immediately return to the Company all Confidential Information, together with any and all copies thereof, and delete all electronic copies in the possession or under the control of the Recipient, (b) he/she will promptly supply the Company with all notes, memoranda, writings, lists, files, reports, customer lists, correspondence, media, digitally stored materials, source code,

cards, machines, employment manuals, technical data or any other tangible product or document which the person produced, received or otherwise had access to, during the Training. Upon the Company's request, the Recipient shall certify in writing that all Confidential Information has been returned or destroyed. Recipient shall not retain any copies of Confidential Information nor shall Recipient assist another in the use, disclosure, or copying of Confidential Information.

7. No Rights in Confidential Information. The parties recognize and agree that nothing contained in this Confidentiality Agreement shall be construed as granting any rights, by license or otherwise, to any Confidential Information disclosed under this Confidentiality Agreement. Neither this Confidentiality Agreement, nor the disclosure of Confidential Information shall be deemed, by implication or otherwise, to vest in Recipient any rights in the Confidential Information or any other trade secrets or property of the Company. This Confidentiality Agreement is not a franchise agreement or a license of any sort and does not grant the Recipient any right to use or to franchise or license the use of, the Taco Del Mar system, the Taco Del Mar trademarks or the Confidential Information, which right is expressly reserved by the Company.

8. Copyrights and Waiver of Moral Rights. Recipient acknowledges and agrees that all work product prepared by Recipient during the course of the Training, if any, shall be improvements, modifications or derivatives to the Confidential Information and all rights, title and interest in said work product shall be vested in the Company. The Company shall own and Recipient hereby assigns and waives any moral rights, to all such work product and creative works, including all expressions in any media, whether published or unpublished conceived by Recipient, either solely or in collaboration with others, during the Training.

9. Non-Compete. In the event Recipient does not complete the Training, does not sign the Assignment and Assumption Agreement with the Seller or fails to consummate the Transaction for any reason, for a period of two (2) years after the date hereof, neither Recipient nor any of Recipient's officers, directors, shareholders, members, partners or other owners, nor any spouse or other immediate family members of Recipient, or any of these individuals ("Bound Parties"), shall have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative, agent, or in any other capacity in any Competitive Business (as such term is defined herein) located or operating within an eight kilometer radius of any Taco Del Mar restaurant existing on the date on which Recipient fails to complete the Training for any reason. For purposes of this Confidentiality Agreement, the term "Competitive Business" shall mean any business operating, or granting franchises or licenses to others to operate, a restaurant or other food service business offering the sell of Mexican style foods including but not limited to tacos, burritos, enchiladas, and burrito bowls (other than a Taco Del Mar restaurant operated by Recipient). The restrictions of this Section shall not be applicable to, and for purposes of the definition of Competitive Business shall not include, the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the class of securities issued and outstanding. Recipient and other Bound Parties expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

10. Transactions. Recipient acknowledges and agrees that it will not consummate the Acquisition unless it completes the Training to Company's satisfaction, the conditions set out in the Conditional Consent to Transfer between Company and Seller are satisfied and the Recipient and Seller enter into the Assignment and Assumption Agreement.

11. Breach. The Company's Confidential Information is a unique and irreplaceable asset, and if Recipient breaches this Confidentiality Agreement, the Company will suffer immediate and irreparable injury, for which monetary damages will be inadequate or impossible to ascertain. Recipient therefore agrees that the Company shall have, in addition to any other remedies, the right to obtain a temporary restraining order, preliminary injunction, permanent injunction, or other form of appropriate relief to prevent further injury to the Company for any actual or threatened violation of any of the provisions of this Confidentiality Agreement. In addition to injunctive relief, the Company may recover damages from Recipient for any loss caused by any violation of the provisions of this Confidentiality Agreement (including violations by third parties to whom the Recipient discloses Confidential Information). In any action brought to enforce any of the provisions of this Confidentiality Agreement, the Company shall be entitled to reasonable attorneys' fees and costs (including the cost of in-house counsel).

12. Cumulative Remedies. Any specific right or remedy set forth in this Confidentiality Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law.

13. Heirs and Successors. This Confidentiality Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and permitted assigns.

14. Entire Agreement. This Confidentiality Agreement represents the entire understanding between the parties regarding the subject matter of this Confidentiality Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Confidentiality Agreement may not be modified except by a written instrument signed by the Company and the Recipient that expressly modifies this Confidentiality Agreement. The parties intend this Confidentiality Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Confidentiality Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

15. Waiver. Failure by the Company to enforce any rights under this Confidentiality Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.

16. Law. This Agreement will be construed and enforced in accordance with, and governed by, the laws of Colorado and any dispute between the Parties shall be governed by and determined in accordance with the substantive law of the State of Colorado, which laws shall prevail in the event of any conflict of law and the parties each waive any objection they may have to the personal jurisdiction of or venue in such courts.

17. Severability. This Agreement is intended to be interpreted in such a manner as to render it enforceable. In the event that any court or other competent authority determines that any provision of this Agreement is not enforceable, such provision may be modified or limited in its effect to the extent necessary to cause it to be enforceable. In any provision cannot be so modified or limited, then such provision shall be severed, and the remainder of this Agreement shall remain in full force and effect.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have executed this Confidentiality Agreement:

**TDMF HOLDINGS, LLC, successor in
interest to TDM Franchising, LLC**

By: _____

Title: _____

Date: _____

PROSPECTIVE FRANCHISEE

[Sign here if you will sign the Assignment and
Assumption agreement as an individual]

INDIVIDUAL(S)

[Sign here if you will sign the Assignment
and Assumption agreement as an entity]

**CORPORATION, PARTNERSHIP OR
OTHER BUSINESS ENTITY**

Signature

Print Name: _____

Date: _____

Print Name of Legal Entity

By: _____

Signature

Signature

Print Name: _____

Date: _____

Print Name: _____

Title: _____

Date: _____

Signature

Print Name: _____

Date: _____



EXHIBIT H

**TERMINATION AND RELEASE AGREEMENT
(TEMPLATE)**

TERMINATION AND RELEASE AGREEMENT

THIS TERMINATION AND RELEASE AGREEMENT (the **Agreement**) is made effective on the Effective Date (defined below), by and between **TDMF HOLDINGS, LLC** a Delaware limited liability company (**Franchisor**), _____, a _____ (**Franchisee**) and _____ and _____ (collectively, **Guarantor**). Franchisor, Franchisee and Guarantor shall collectively be referred to as **Parties**.

RECITALS

A. The Parties entered into a franchise agreement dated _____ (**Franchise Agreement**) whereby the Franchisee was granted the right to open and operate a Taco Del Mar Franchise located at _____ (**Restaurant**).

B. Franchisee ceased the Restaurant's operations effective _____ (**Closing Date**).

C. The Franchise Agreement expired on _____.

D. Franchisee has requested that Franchisor release Franchisee and its Guarantor from all future obligations under the Franchise Agreement and guaranties, respectively.

E. The Parties desire to voluntarily terminate the Franchise Agreement pursuant to the terms of this Agreement upon the following conditions being satisfied

NOW, THEREFORE, the Parties agree as follows:

1. **Definitions.** All capitalized terms referenced not defined herein shall have the same meaning as set forth in the Franchise Agreement.

2. **Termination.** The Franchise Agreement is hereby terminated as of the effective date hereof, and shall be of no further force or effect except as set forth specifically in this Agreement, nor shall the Franchisor or Franchisee have any further obligations or duties, however characterized or described, with respect to each other, except as set forth in this Agreement. Concurrently with the execution of this Agreement, except as is set forth below, the Franchisee shall immediately cease using any or all of Franchisor's proprietary marks, color combinations, designs, symbols, slogans and trade secrets. The Franchisee shall refrain from doing anything by word or act which may mislead anyone into believing that it may still have some association with the Franchisor and toward this end, the Franchisee hereby irrevocably appoints the Franchisor its nominee to be its attorney in fact to execute any document or perform any legal act necessary to protect the Franchisor's proprietary marks from unauthorized use on the Franchisee's behalf, in the event the Franchisee fails to do so. The Franchisee acknowledges and agrees that the unauthorized use of the Franchisor's proprietary marks will constitute irreparable harm for which the Franchisor may obtain injunctive relief in addition to claiming monetary damages.

3. **Survival of Certain Provisions.** Except as expressly superseded by this Agreement, all provisions of the Franchise Agreement that expressly or by their nature survive the expiration or termination of the Franchise Agreement shall continue in full force and effect (and

shall continue to bind the Franchisee and Guarantor) subsequent to and notwithstanding the termination of the Franchise Agreement hereunder until such provisions are satisfied or by their nature expire, including without limitation provisions related to confidential information, post-termination covenants not to compete, notice provisions and provisions related to governing law, venue, and dispute resolution, which provisions of the Franchise Agreement are incorporated herein by reference.

4. **Franchisee, Guarantor and Franchisor Mutual Release.**

a. Franchisee and Guarantor, on behalf of themselves and their affiliates, and their respective current and former agents, partners, employees, representatives, attorneys, spouses and successors and assigns, hereby releases and discharges Franchisor, and its successors, assigns, agents, representatives, area directors, employees, officers and directors (collectively referred to as "**Released Parties**"), of and from any and all claims, demands, obligations, actions, liabilities, defenses or damages of every kind and nature whatsoever, in law or in equity, whether known or unknown, which have arisen or may arise under the Franchise Agreement or guaranties, or the relationships between Franchisor or the Released Parties and Franchisee by virtue thereof, from the beginning of time to the Effective Date.

b. Franchisor, on behalf of itself and its affiliates and their respective current and former agents, principals, officers, directors, shareholders, members, employees, parents, predecessors, affiliates, subsidiaries, divisions, and successors and assigns, hereby releases and discharges Franchisee and Guarantor of and from any and all claims, demands, obligations, actions, liabilities, defenses, or damages of every kind and nature whatsoever, in law or in equity, whether known or unknown, which have arisen or may arise under the Franchise Agreement or guaranties, or the relationships between Franchisor and any Released Parties and Franchisee by virtue thereof, from the beginning of time to the Effective Date.

5. **Non-Disparagement.** In consideration of the accommodations provided to the Franchisee and concessions made by Franchisor under this Agreement, Franchisee agrees not to, and to use its best efforts to cause its current and former shareholders, officers, directors principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak negatively, directly or indirectly, of Franchisor or the Released Parties or their respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the Taco Del Mar brand, the Taco Del Mar systems, or any other service-marked or trademarked concept of Franchisor, or which would subject the Taco Del Mar brand to ridicule, scandal, reproach, scorn or indignity or which would negatively impact the goodwill of Franchisor or its brand.

6. **Notice.** Any notice, request, demand, statement, or consent made hereunder shall be in accordance with the notice provisions in the Franchise Agreement.

7. **Colorado Laws and Jurisdiction.** This Agreement takes effect upon its acceptance and execution by Taco Del Mar in Colorado. This Agreement shall be interpreted and construed under the laws of Colorado and any dispute between the Parties shall be governed by and determined in accordance with the substantive law of the State of Colorado, which laws shall prevail in the event of any conflict of law. Any action arising out of or relating to this Agreement involving the Parties shall be commenced in a state or federal court in the State of Colorado and Franchisee irrevocably submits to the jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court.

8. **Jury Waiver.** Each Party waives any right it may have to a trial by jury for any disputes arising from this Agreement or the Parties' relationship created hereby.

9. **Binding Effect.** This Agreement shall be binding upon and ensure to the benefit of the successors, assigns, trustees, receivers, personal representatives, legatees, and devisees of the Parties.

10. **Attorneys' Fees.** Each Party shall be responsible for paying its own costs and expenses incurred in the preparation of this Agreement. However, in the event of any litigation between the Parties based upon an alleged breach or default of their respective obligations to be fulfilled pursuant to this Agreement, the prevailing Party therein shall be entitled to recover attorney's fees and court costs against the non-prevailing Party in accordance with the dispute resolution provisions of the Franchise Agreement.

11. **Entirety.** This Agreement embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings related to the subject matter hereof (other than the provisions that survive termination of the Franchise Agreements as set forth herein).

12. **Severability.** The separate paragraphs of this Agreement are severable, and the finding or determination by any court of law that a certain section or paragraph of this Agreement is unenforceable shall not render the entire Agreement unenforceable.

13. **Miscellaneous.** The Parties agree that, in entering into this Agreement, they are relying upon their own judgment, belief, and knowledge as to all phases of any claims and further acknowledge that no promise, inducement or agreement or any representations and warranties not expressed herein have been made to procure their agreement hereto. The Parties further acknowledge that this Agreement is contractual and not merely recital, and that they have read, understand, and fully agree to the terms of this Agreement.

14. **Confidentiality.** Except as reasonably necessary to perform Franchisee's obligations or exercise or enforce Franchisee's rights hereunder and under the Agreement, Franchisee shall not provide or disclose to any third party, or use, unless authorized in writing to do so by Franchisor or properly directed or ordered to do so by public authority, any information or matter that constitutes or concerns the terms and conditions of this Addendum or that regards any dealings or negotiations with Franchisee related to this Addendum.

15. **Neutrality.** Notwithstanding the fact that this Agreement has been prepared by one of the Parties, all the Parties confirm that they and their respective counsel have reviewed, negotiated and adopted this Agreement as the joint agreement and understanding of the Parties. This Agreement is to be construed as a whole and any presumption that ambiguities are to be resolved against the primary drafting party will not apply.

16. **Execution in Counterparts.** This Agreement may be executed in one or more counterparts, each counterpart to be considered an original portion of this Agreement.

[Signatures on Following Page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be made effective as of the Effective Date.

**FRANCHISOR:
TDMF HOLDINGS, LLC**

By: _____

Name: Tim Casey

Title: Chief Executive Officer

***Date:** _____

(*This is the Effective Date)

FRANCHISEE:

By: _____

Name:

Date: _____

By: _____

Name:

Date: _____

GUARANTOR

By: _____

Name:

By: _____

Name:



EXHIBIT I

**CONDITIONAL CONSENT TO TRANSFER
AND
RELEASE AGREEMENT**

TACO DEL MAR
CONDITIONAL CONSENT TO TRANSFER AND RELEASE AGREEMENT

This Conditional Consent to Transfer and Release Agreement (“**Agreement**”) is entered into on the Execution Date (as defined below) by and among TDMF HOLDINGS, LLC, a Delaware limited liability company (“**Franchisor**”), **[INSERT SELLER NAME(S) AND ENTITY NAME IF SELLER IS A COMPANY, IDENTIFY BOTH THE SELLERS INDIVIDUALLY AND THE COMPANY NAME]** (collectively “**Seller**”), **[INSERT NAMES OF GUARANTORS IF DIFFERENT FROM SELLER NAMES OR IF SELLER IS AN ENTITY]** (each a “**Seller Guarantor**” and, collectively, the “**Seller Guarantors**”), and **[BUYER NAME(S) OR ENTITY NAME]** (“**Buyer**”). Franchisor, Seller, Seller Guarantors, and Buyer are each a “**Party**” and are collectively referred to herein as the “**Parties**.”

BACKGROUND

A. Franchisor and Franchisee are parties to that certain Franchise Agreement dated **[insert date]** (“**Franchise Agreement**”), whereby Franchisor **[or replace “Franchisor” with “a predecessor of Franchisor”]** granted Seller the right to operate a franchised TACO DEL MAR restaurant located at **[INSERT STORE ADDRESS]** (“**Restaurant**” or “**Franchised Location**”);

B. Contemporaneously with the execution of the Franchise Agreement, Seller Guarantors executed that certain Guaranty and Assumption of Franchisee’s Obligations (“**Guaranty**”), whereby Seller Guarantors personally guaranteed the obligations of Seller under the Franchise Agreement;

C. Seller has notified Franchisor that Seller and Buyer have entered into that certain Asset Purchase Agreement, dated **[INSERT DATE OF APA]** (“**Purchase Agreement**”), pursuant to which Seller has agreed to sell and Buyer has agreed to purchase all of the rights, obligations, and assets relating to the Restaurant (collectively, the “**Interests**”);

D. Seller desires to assign and Buyer desires to assume the rights and obligations set out in the Seller’s Franchise Agreement and the lease obligations with regard to the Franchised Location (collectively, the “**Transfer**”);

E. Seller and Seller Guarantors have requested that Franchisor consent to the Transfer and release Seller and the Seller Guarantors from all obligations under the Franchise Agreement and Guaranty, respectively (collectively, the “**Consent**”); and

F. Franchisor is willing to provide a conditional consent to the Transfer as of the Execution Date, subject to the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Execution Date; Definitions. The “**Execution Date**” will be the date on which Franchisor signs this Agreement acknowledging its conditional consent to the proposed Transfer. The Parties acknowledge and agree that the Consent will not be made effective until the Closing Date, as such term is defined below. All capitalized terms not defined in this Agreement will have the respective meanings set forth in the applicable Franchise Agreement or New Franchise Agreement (as defined below).

2. Proposed Transfer. Buyer is purchasing the Interests from Seller in accordance with the terms and conditions of the Purchase Agreement, a copy of which has been provided to Franchisor by Seller and Buyer. Seller and Buyer represent and warrant that the form of Purchase Agreement provided to Franchisor is the final version of such agreement and is the version which has been or will be executed by them to effectuate the Transfer, subject to Franchisor’s conditional consent provided herein. Seller and Buyer further represent and warrant to Franchisor that they have completed all documentation and transactions necessary to transfer the Franchise Agreement to Buyer.

3. Termination of Rights under Franchise Agreement. The Parties acknowledge and agree that all of Seller’s rights to operate the Restaurant under the Franchise Agreement will be relinquished on the date of the closing of the Transfer (“**Closing Date**”) as a result of the Transfer and that, commencing on the Closing Date, Seller will be subject to all post-termination covenants and other provisions of the Franchise Agreement that, either expressly or by their nature, survive termination of the Franchise Agreement (including but not limited to the post-termination restrictive covenants, dispute resolution and notice, and confidentiality provisions of the Franchise Agreement).

4. Termination of Guaranty. The Parties further acknowledge and agree that the obligations of the Seller Guarantors under the Guaranty will be terminated as of the Closing Date.

5. Conditional Consent to Transfer. Franchisor consents to the Transfer in accordance with this Agreement as of the Execution Date; provided, however, such consent from Franchisor is expressly contingent upon, and will not be deemed effective until, Franchisor has confirmed compliance with the following terms and conditions on or before the date of the closing of the Transfer (“**Closing Date**”), or sooner if otherwise indicated below:

a. Transfer Fee. On or prior to the Execution Date, Seller will pay to Franchisor a nonrefundable transfer fee of [Fee amount spelled out (\$____)] (“**Transfer Fee**”) in accordance with the Franchise Agreement;

b. Payment of Amounts Due. Seller will pay all amounts due and owing from Seller (or an affiliate of Seller) to Franchisor through the Closing Date, including but not limited to past due royalty and advertising fees, in the aggregate amount of [**\$_____**];

c. New Franchise Agreement and Guaranty and Assumption of Obligations. On or prior to the Execution Date, Buyer and its owners must execute Franchisor’s then-current form of Franchise Agreement for the Restaurant (“**New Franchise Agreement**”), which will include a Guaranty and Assumption of Franchisee’s

Obligations, whereby Buyer's owner(s) will personally guarantee Buyer's obligations under the New Franchise Agreement, which may have materially different terms and conditions than the Seller's Franchise Agreement;

d. Financial Statements. Seller will provide Franchisor with all required monthly financial statements for the Restaurant through the Closing Date;

e. Training. Buyer or Buyer's designated representative(s) will have satisfactorily completed the initial training program as described in the New Franchise Agreement prior to the Closing Date;

f. Right to Possession. Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the premises for the Restaurant by way of lease assignment and/or assumption or otherwise (with all required landlord consents);

g. Site Selection Assistance. Buyer acknowledges and agrees that Franchisor has complied with and satisfied its obligations under the New Franchise Agreement to provide site selection and development assistance;

h. Remodeling. Seller and Buyer will ensure that all of the items reflected on the pre-sale inspection ("**Inspection**") which is attached hereto as Exhibit A have been completed prior to the Execution Date or by such other date specified in the Inspection;

i. Purchase Agreement. The Purchase Agreement will not be amended and the terms of the transaction thereunder will not be changed unless Seller and Buyer have obtained the prior written consent of Franchisor;

j. Buyer Loans. Buyer will provide Franchisor with copies of all loan documents or loan commitments evidencing all debt taken on by Buyer in connection with the purchase of the Interests;

k. Restaurant Possession. Prior to the Closing Date and changing possession of the Restaurant, Seller and Buyer must obtain the written consent of Franchisor to change possession;

l. Maximum Allowable Debt. Buyer acknowledges that the total debt which can be undertaken by Buyer in connection with the New Franchise Agreement, the purchase of the Interests, and Buyer's subsequent operation of the Restaurant (collectively, the "**Maximum Allowable Debt**") cannot exceed certain limits established by Franchisor from time to time, unless otherwise permitted by Franchisor in writing to Buyer. Accordingly, Buyer acknowledges and agrees that [**OPTION 1:** the Maximum Allowable Debt is equal to seventy percent (70%) of the Total Project Costs and that Buyer will not exceed such Maximum Allowable Debt] [**OPTION 2:** the purchase price payable by Buyer to Seller pursuant to the Purchase Agreement ("**Purchase Price**") will be paid by Buyer in cash so that, as of the Closing Date, Buyer will not be subject to any outstanding debt in connection with the Interests or the operation of the Restaurant]. For purposes of

this section, “**Total Project Costs**” means the total amount of the following: (i) the Purchase Price; (ii) the cost of the inventory required to operate the Restaurant in the event such costs are not included in the Purchase Price; (iii) the Transfer Fee, if such fee will be paid to Franchisor by Buyer; (iv) the costs borne by Buyer to comply with Section 6(h) and Exhibit A to this Agreement relating to the Inspection; (v) the costs to be incurred by Buyer in complying with the local store marking plan and (vi) the cost of the lease review fee, if incurred by Buyer.

m. Seller Financing. Regardless of any provision of the Purchase Agreement (or any other agreement) to the contrary, if Seller provides financing to Buyer for any portion of the purchase price for the Restaurant and such financing is secured by any assets of the Restaurant, Seller acknowledges and agrees that Seller does not and will not have any interests or rights, revisionary or otherwise, to operate the Restaurant after the Closing Date pursuant to the Franchise Agreement or New Franchise Agreement; and

n. Promotional Items/Coupons. From and after the Closing Date, Buyer agrees Buyer will honor all non-expired coupons, gift cards, gift certificates or other promotional items and/or discounts issued by Seller for redemption at the Restaurant. Notwithstanding the foregoing, nothing contained in this subparagraph (n) will be construed to waive Buyer’s obligation to participate in any Gift Card Program established by Franchisor.

6. Waiver of Right of First Refusal. Franchisor hereby waives any right of first refusal to purchase the Interests as Franchisor may have pursuant to the Franchise Agreement.

7. No Waiver or Future Consent. Franchisor’s consent of the Transfer, which will become effective upon the Closing Date, will not result in any waiver of any rights or as a release under the Franchise Agreement or the New Franchise Agreement and does not constitute a consent to any additional subsequent transfers or assignments.

8. Contingency. Franchisor may terminate this Agreement and/or the New Franchise Agreement (in the event New Franchise Agreement has already been executed by Franchisor), if:

a. The transactions contemplated between Seller and Buyer relating to the Transfer are not approved by Franchisor;

b. Buyer fails to satisfactorily complete the initial training program as required under the Buyer Franchise Agreement; or

c. Seller and Buyer fail to change ownership and/or possession of the Restaurant as described herein within ninety (90) days following the Execution Date of this Agreement.

9. Assignment/Assumption of Premise Lease. Buyer and Seller acknowledge that one of the requirements of Franchisor’s consent is that the premises lease be assigned to and/or otherwise assumed by the Buyer and that the lease for the Restaurant premises may require consent

of and/or notice to the landlord with respect to such assignment and/or assumption. Franchisor reserves the right to review the lease as set forth in the New Franchise Agreement. Buyer acknowledges and agrees that Franchisor's acceptance of the Restaurant location or the lease terms does not constitute a recommendation, endorsement, or guarantee by Franchisor of the suitability of the Restaurant location or the lease, and that the success of the Restaurant to be operated at the Franchised Location depends upon Buyer's abilities as an independent businessperson. Buyer should take all steps it deems necessary to ascertain whether such Restaurant location and lease terms are acceptable to Buyer.

Buyer and Seller further acknowledge and agree that, if Franchisor is granting consent to a change of ownership and possession of the Restaurant prior to the time that landlord's consent has been secured, such consent does not eliminate the need (if it exists under the lease) for Buyer and Seller to secure the landlord's consent or to provide notice to the landlord, as appropriate, and that changing ownership and possession prior to such time may be a default under the lease. It is incumbent upon Buyer and Seller to secure any consent and to provide any notice to the landlord as required under the lease. Buyer and Seller agree that they will timely secure such consent and provide such required notice to landlord and provide Franchisor with a copy thereof regardless of whether a change of ownership and possession may have been authorized by Franchisor. If ownership and possession change prior to securing landlord's consent, where required by the lease, Buyer and Seller release Franchisor from any liability resulting the failure to secure such consent prior to changing ownership and possession of the Restaurant.

10. Release of Franchisor. Seller, the Seller Guarantors and Buyer, and each of them, for themselves and their respective affiliates and each of their respective owners, officers, directors, successors, assigns, employees, and other representatives, hereby fully and forever unconditionally release and discharge Franchisor and its affiliates and their respective parents, subsidiaries, area directors, agents, and insurers and each of their respective owners, officers, directors, successors, assigns, guarantors, principals, partners, shareholders, members, attorneys, employees, and other representatives (collectively, the "**Released Parties**"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown to them, which they may have against the Released Parties as of the Execution Date, or which may thereafter be discovered, accrued, or sustained, in connection with, as a result of, or in any way arising from, any relations or transactions with the Released Parties, however characterized or described, including but not limited to, any claims arising from the Franchise Agreement, the New Franchise Agreement or the Purchase Agreement or the transactions described herein.

IF THE RESTAURANT IS LOCATED IN CALIFORNIA OR IF EITHER BUYER, SELLER, OR SELLER GUARANTORS IS A RESIDENT OF CALIFORNIA, THE FOLLOWING WILL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS THE INTENTION OF SELLER, SELLER GUARANTORS AND BUYER IN EXECUTING THIS AGREEMENT THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH WILL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND OR CAUSE OF ACTION RELEASED BY SELLER, SELLER GUARANTORS AND/OR BUYER. EACH OF SELLER, SELLER

GUARANTORS AND BUYER RECOGNIZES THAT HE, SHE OR IT MAY HAVE SOME CLAIM, DEMAND OR CAUSE OF ACTION AGAINST THE RELEASE PARTIES OF WHICH HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH HE, SHE OR IT IS GIVING UP BY EXECUTING THIS AGREEMENT. IT IS THE INTENTION OF EACH OF SELLER, SELLER GUARANTORS AND BUYER IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE HIM, HER OR IT OF SUCH CLAIM, DEMAND OR CAUSE OF ACTION AND PREVENT HIM, HER OR IT FROM ASSERTING IT AGAINST THE RELEASED PARTIES. IN FURTHERANCE OF THIS INTENTION, SELLER, SELLER GUARANTORS AND BUYER EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

EACH OF SELLER, SELLER GUARANTORS AND BUYER ACKNOWLEDGES AND REPRESENTS THAT HE, SHE, OR IT HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS AGREEMENT AND THAT HE, SHE, OR IT UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS AGREEMENT SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS AND CAUSES OF ACTION.

If the Restaurant is located in Maryland or if either Buyer or Seller is a resident of Maryland, the following will apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

11. Non-Disparagement. In consideration of the accommodations provided to Seller, the Seller Guarantors, and Buyer and concessions made by Franchisor and its affiliates under this Agreement, Seller, the Seller Guarantors, and Buyer agree not to, and to use their best efforts to cause their current and former shareholders, officers, directors principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Released Parties or their respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the TACO DEL MAR brand, the TACO DEL MAR system, or any other service-marked or trademarked concept of Franchisor, or which would

subject the TACO DEL MAR brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

12. Acknowledgment. Buyer and Seller acknowledge that although Franchisor or its affiliates, employees, officers, directors, successors, assigns, and other representatives may have been involved in Buyer's purchase of the Interests from Seller, Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from Seller, it is Buyer's responsibility to meet with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

13. Buyer's Due Diligence. Buyer acknowledges that it has completed its due diligence in connection with the proposed purchase of the Restaurant. Buyer further acknowledges and agrees that: (a) the amounts reported by Seller have not been verified by Franchisor nor any of its affiliates; (b) Franchisor and its affiliates have not and will not verify or comment on the accuracy of any of the reported amounts provided by Seller; (c) Franchisor and its affiliates do not represent that Buyer can achieve the reported amounts; and (d) Buyer's actual results may vary from the reported amounts and the sales volume for any restaurant depends on a variety of factors, including those set forth in the New Franchise Agreement.

14. Additional Documents. Buyer and Seller agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Franchise Agreement and the New Franchise Agreement.

15. Governing Law. This Agreement will be governed by, and construed and enforced in accordance with, the laws of the state of Colorado.

16. Miscellaneous Provisions. This Agreement may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. The headings of this Agreement are for convenience and reference only and will not limit or otherwise affect the meaning hereof. In the event of any conflict between the terms of this Agreement and the terms of the Franchise Agreement or the New Franchise Agreement, the terms of this Agreement will control. This Agreement may be executed in any number of counterparts and sent via electronic mail, each of which will be deemed an original but all of which taken together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement, as of the Execution Date.

SELLER(S): If Seller is a legal entity, name of entity: _____

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

SELLER(S): Individually

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

SELLER GUARANTORS:

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

BUYER(S): If Buyer is a legal entity, name of entity: _____

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

ACCEPTED:

TDMF HOLDINGS, LLC

By: _____

Name: _____

Title: _____

Date*: _____

*This date is the Execution Date

Exhibit A
INSPECTION

[SAMPLE]

Store #_____

Seller(s) and Buyer(s) acknowledge and agree that the following requirements must be completed by Seller(s) and/or Buyer(s) to the satisfaction of TDMF HOLDINGS, LLC, in its sole determination, within the time frames noted below, so as to comply with Section 6(h) of this Agreement:

- Order “This TACO DEL MAR Restaurant is Independently Owned and Operated” certificate or plaque (14 days following Execution Date)
- Sign service agreement with [Provider Name], or other prior approved towel/mat cleaning company, (prior to Execution Date)
- Sign service agreement with [Provider Name] (prior to Execution Date)
- Sign service agreement with [Provider Name] (prior to Execution Date)
- Sign service agreement with [Provider Name] pest control services (prior to Execution Date)
- Sign service agreement with [Provider Name] (prior to Execution Date)
- Sign service agreement with a bookkeeping service provider (prior to Execution Date unless otherwise specified)
- Order/Purchase Local Store Marketing Items (prior to Execution Date)
- Complete following upgrades (collectively, the “Upgrade Items”) (prior to Execution Date, unless otherwise specified):
 - o Purchase/Install missing smallwares per presale inspection to specification
 - o Purchase/Install new premium décor upgrade (within 1 year of possession change or when the new design is approved; earlier of the two)
 - o Purchase/Install current required oven model and remove existing oven and hood
 - o Complete deep store cleaning by a licensed and bonded professional cleaning service company (i.e. back of house, front of house, walls., floors, ceilings, equipment, tables, chairs., bathrooms etc.) to specification
 - o Maintenance/Cleaning of oven by a licensed and bonded professional company to include new oven elements if needed to specification
 - o Certification on all HVAC/Refrigeration units (walk-in coolers, freezers, make and wrap tables and deli case) by a licensed and bonded service provider.

ACKNOWLEDGED AND AGREED, on the date set forth below:

By:_____

Seller: _____ **Date**

By:_____

Buyer: _____ **Date**



EXHIBIT J

LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2021

Store Number	Franchisee Company Name	First Name	Last Name	Address	City	State	Phone
51-1336		Nilesh	Patel	333 Keahole Street	Honolulu	HI	(808)395-9880
11-1258	Moore Holdings, Inc.	Monte	Moore	2258 E Gowen Rd	Boise	ID	(208)331-4550
11-305	J S Ram Inc.	Tripurari "Pintu"	Singh	2976 E State St	Eagle	ID	(208)938-0003
17-2089	J S RAM INC.	Tripurari "Pintu"	Singh	1515-Poydras Street	New Orleans	LA	(504)309-8311
25-301	GA & Sons, LLC	Arvind	Kararia	1600 N 19th Ave	Bozeman	MT	(406)522-9599
25-302	Trinity Sub, LLC	George	Varghese	1601 Market Pl Dr	Great Falls	MT	(406)727-1093
32-2175		Thomas	Faw	1201 Elizabeth Ave	Charlotte	NC	(704)595-3338
33-1274	Engelhardt Enterprises, LLC.	Pat	Engelhardt	1024 S 12th St	Bismarck	ND	(701)222-3044
36-1022	La Tortuga, LLC	Chris	Arathoon	63455 N Highway 97	Bend	OR	(541)317-1112
36-1090		Baldeep	Basraon	6375 Ulali Dr	Keizer	OR	(503)390-1267
36-1348		Baldeep	Basraon	1920 Turner Rd SE	Salem	OR	(503)362-3333
36-1450		Gurdaur	Singh	19526 Molalla Ave	Oregon City	OR	(503)518-8226
36-1677		Roger	Becker	1259 SW Booth Bend Rd	McMinnville	OR	(503)883-9763
36-192	CDT Investments Corp	Christine	Tija-Boediawan	9968 SE 82nd Ave	Portland	OR	(503)771-2775
36-2006		Chris	Arathoon	865 SW 17th Street	Redmond	OR	(541)516-4015
46-102		Parminder	Kaur	1033 65TH AVE NE	Seattle	WA	(206)729-0670
46-103	Kartar Enterprises, Inc.	Karamjit	Singh	1723 Hewitt Ave	Everett	WA	(425)303-0300
46-104	Busting Air, Inc.	Ralph	Subcleff	210 Main St	Kirkland	WA	(425)827-0177
46-105		Shahnaz	Meherally	3827 1/2 S Meridian	Puyallup	WA	(253)841-7658
46-107		Anwar	Meherally	677 120th Ave NE	Bellevue	WA	(425)646-9041
46-1091		Parminder	Kaur	1401 S 348th St	Federal Way	WA	(253)874-5842
46-115		Mark R.	Houser	5738 N 26th St	Tacoma	WA	(253)761-7425
46-121	Al Karim Inc.	Murtaza	Ramzan	1291 N 205th	Shoreline	WA	(206)533-8226
46-122	Thind Northwest Inc.	Jay	Singh	4201 196th St SW	Lynnwood	WA	(425)673-4607
46-128	Josan Enterprises, Inc	Manjinder	Josan	6101 15th Avenue NW	Seattle	WA	(206)297-4446
46-139	U & H, Inc.	Unil	Kim	725 Pike St	Seattle	WA	(206)628-8982
46-140		Joshua	Diniz	8004 Greenwood Ave N	Seattle	WA	(206)706-4063
46-145	Cascade Chevrolet Company	Steve	Baldock	142 Easy St	Wenatchee	WA	(509)665-6526
46-152	Prabh, Inc.	Daljit	Virk	7058 State Highway 303 NE	Bremerton	WA	(360)692-7704
46-153		Ahed	Aziz	1402 164th Street SW	Lynnwood	WA	(425)743-5668
46-1531		Brian	Scott	2707 W Broadway	Moses Lake	WA	(509)766-1204
46-155	Virk, Inc.	Daljit	Virk	21555 Olhava Way NW	Poulsbo	WA	(360)598-2501
46-156	Fresh Choice Mexican LLC	Parminder	Kaur	1785 NE 44th St.	Renton	WA	(425)276-5995
46-158		Sandhya	Prasher	11012 Canyon Rd East	Puyallup	WA	(253)537-1335
46-159		Jihad	Abulhosn	2136 1st Ave	Seattle	WA	(206)448-8877
46-164	4Lewis Company, Inc.	Mike	Lewis	1773 S Burlington Blvd	Burlington	WA	(360)757-8507
46-166	Monson & Sons, LLC	Chris	Monson	1614 Canyon Rd	Ellensburg	WA	(509)962-3009
46-1670		Brian	Scott	103 Galbreath Way	Ritzville	WA	(509)659-1001
46-169	Tiee-Jiun Ray	Tiee-Jiun	Ray	1620 4th Ave	Seattle	WA	(206)343-0400
46-173	JRT Enterprises, Inc.	Jennifer	Templin	1435 Lousiana Ave	Chehalis	WA	(360)767-0800

46-177		Anwar	Meherally	11016 8th Ave NE	Seattle	WA	(206)267-6767
46-188	Virk, Inc.	Daljit	Virk	90 Washington Ave.	Bremerton	WA	(360)782-2505
46-191	Tiee-Jiun Ray	Tiee-Jiun	Ray	908 Stewart St	Seattle	WA	(206)624-4300
46-193		Glenn	Bowers	1008 Bellevue Square	Bellevue	WA	(425)450-0094
46-2028		Raman	Kailay	816 12th Ave	Seattle	WA	(206)324-0079
46-2110		Paramveer	Maggo	26565 Maple Valley-Black Diamond Road SE #J803	Maple Valley	WA	(425)584-7189
46-2160	Prasher LLC	Sandhya	Prasher	7100 Fun Center Way	Tukwila	WA	(206)588-2715
46-2173		Harsh Kumar	Nayyar	18404-120th Ave	Bothell	WA	(425)309-7077

Please note: We began offering franchises as of October 11, 2019. Most TACO DEL MAR Restaurants reflected in this Exhibit G were offered and sold by Predecessor.



EXHIBIT K

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

FRANCHISEES WHO HAVE LEFT THE SYSTEM AS OF DECEMBER 31, 2021

Store Number	Franchisee Company Name	First Name	Last Name	City	State	Phone
51-1281		James	Butler	Honolulu	HI	(808)422-9922
51-1678		Francis	Kau	Pearl Harbor	HI	(808)423-3183
09-2080		Norm	Duguay	Jacksonville	FL	(904)620-0484
09-2178		Douglas	Haraden	Gainesville	FL	(352)872-5129
11-306		Lisa	Piva	Boise	ID	(208)939-4750
35-2182		Masood	Kasim	Tulsa	OK	(918)938-7152
36-1527		Roger	Becker	Aloha	OR	(503)259-8800
46-109		Daniel	Howell	Kirkland	WA	(425)820-5763
46-1342		Brian	Scott	Spokane	WA	(509)456-2237
46-135	Trimurti Enterprises, Inc.	Harry	Nayyar	Seattle	WA	(206)467-4878
46-170		Brian	Scott	Pullman	WA	(509)334-7822
46-178	MSD Corporation	Gurbinder	Dhaliwal	Mukilteo	WA	(425)493-1614
46-2171		Paramveer	Maggo	Auburn	WA	(253)735-7835
46-2183		Kenneth	DeMatteis	Oak Harbor	WA	(360)720-2250
46-303	Appledog, LLC	Frank	Schoonover	Spokane	WA	(509)309-3997



EXHIBIT L

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EXHIBIT M

STATE EFFECTIVE DATES AND RECEIPT

State Effective Dates

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

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

State	Effective Date
California	July 18, 2022
Hawaii	May 18, 2022
Illinois	Not Registered
Indiana	Not Registered
Maryland	Not Registered
Michigan	May 13, 2022
Minnesota	Not Registered
New York	
North Dakota	October 13, 2022
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	June 30, 2022
Wisconsin	Not Registered

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

RECEIPT
(Retain This Copy)

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

If TDMF Holdings, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make any payment to, TDMF Holdings, LLC or an affiliate of TDMF Holdings, LLC in connection with the proposed franchise sale or grant. Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island, or South Dakota law, if applicable, TDMF Holdings, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise.

New York law requires a franchisor to provide the franchise disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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

The name, principal business address and telephone number of each franchise seller offering the franchise: Brett Larrabee, 4700 S. Syracuse St., Suite 225, Denver, Colorado 80237, (720) 359-3300, franchise@regorestaurants.com

Issuance Date: May 9, 2022

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

I received a disclosure document dated May 9, 2022 that included the following Exhibits on:

- A. List of State Administrators and Agents for Service of Process
- B. Form of Franchise Agreement
- C. Form of Multi-Unit Development Agreement
- D. Financial Statements and Guarantee
- E. State Specific Addenda to Franchise Disclosure Document, Franchise Agreement, and Multi-Unit Development Agreement
- F. Franchisee Questionnaire and Acknowledgement
- G. Pre-Training Confidentiality Agreement
- H. Termination and Release Agreement (Template)
- I. Conditional Approval of Transfer
- J. List of Current Franchisees
- K. List of Franchisees Who Have Left the System
- L. Table of Contents of Operations Manual
- M. State Effective Dates & Receipts

Date	Signature	Printed Name
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Date	Signature	Printed Name
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TDMF Holdings, LLC (Unit)

**RECEIPT
(Our Copy)**

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If TDMF Holdings, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make any payment to, TDMF Holdings, LLC or an affiliate of TDMF Holdings, LLC in connection with the proposed franchise sale or grant. Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island, or South Dakota law, if applicable, TDMF Holdings, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise.

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