



FRANCHISE DISCLOSURE DOCUMENT
CHRONIC TACOS ENTERPRISES, INC.

A California corporation
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Chronic Tacos Enterprises, Inc., a California corporation, offers franchises for the operation of Chronic Tacos restaurants at specified locations selling a menu featuring authentic Mexican food to order for dine in, take-out and delivery. We offer the rights for 2 different franchises in this Disclosure Document:

Single Restaurant Program. The total investment necessary to begin operations of a single Chronic Tacos restaurant ranges from \$284,000 to \$884,000. This includes \$30,000 that must be paid to the franchisor or its affiliates.

Area Development Program. The total investment necessary to begin operations of 2 Chronic Tacos restaurants under an Area Development Agreement ranges from \$296,000 to \$899,000 per Chronic Tacos restaurant. This includes \$35,000 that must be paid to the franchisor or its affiliates.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the 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 payments to the Franchisor or an affiliate in connection with the proposed franchise sale. Note, however, that no government 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 Randy Wyner, randy@chronictacos.com, 95 Enterprise, Suite 320, Aliso Viejo, California 92656.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising. There may also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: April 18, 2024.

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit I.
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 G 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 Chronic Tacos 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 Chronic Tacos franchisee?	Item 20 or Exhibit I 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 H.

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 Area Development Agreement require you to resolve disputes with us by litigation only in California. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to participate in litigation with us in California than in your home state.
2. Spousal Liability. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though 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.

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.

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT
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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Chronic Tacos Enterprises, Inc.

Chronic Tacos Enterprises, Inc., a California corporation (“Franchisor”), was formed on January 1, 2006, and is the franchisor for Chronic Tacos restaurants, which feature authentic Mexican food. To simplify the language in this Disclosure Document, “Franchisor,” “we” and “us” means Chronic Tacos Enterprises, Inc. “You” or “Franchisee” means the business entity, person or persons who sign the Franchise Agreement.

Franchisor’s Parents, Predecessors and Affiliates

We have no predecessors or parent companies. We have no affiliates that have ever offered franchises in any line of business or that sell goods or services to our franchisees. Our principal business address is 95 Enterprise, Suite 320, Aliso Viejo, California 92656. We have been offering Chronic Tacos franchises since November 2006. We have never offered franchises in any other line of business. In addition to granting franchises and providing assistance to franchisees, we sell logoed items, including paper plates, napkins, cups, t-shirts and caps, to our franchisees. We have no other businesses.

Our affiliate, CTE Restaurants, LLC, a California limited liability company (“CTE Restaurants”), was formed on November 12, 2014 to own and operate affiliate-owned Chronic Tacos restaurants. CTE Restaurants’ principal business address is 95 Enterprise, Suite 320, Aliso Viejo, California 92656. CTE Restaurants owns and operates two Chronic Tacos restaurants of the type offered in this Disclosure Document (each, a “Taco Restaurant”) at: (i) 900 University Avenue, Riverside, California, 92521, which it has operated since October 2017 and at (ii) 27599 Newport Road, Menifee, California 92584, which it has operated since March 2023 when it reacquired the location from a franchisee. CTE Restaurants has never offered franchises, nor does it provide assistance, products or services to other franchisees of ours.

The Chronic Tacos Franchise

We have developed the Chronic Tacos system for the operation of Taco Restaurants that use the trade name “Chronic Tacos.” A Taco Restaurant is a fast-casual, trendy dining establishment that prepares authentic Mexican food for dine in, take-out and delivery. We offer 2 separate franchises in this Disclosure Document, though we may not necessarily allow you the opportunity to purchase under either of these programs:

Single Taco Restaurant Program. Under this program, you will sign a Franchise Agreement (Exhibit A) to operate a single Taco Restaurant at a location which you choose and which we accept (the “Franchised Location”).

Area Development Program. Under this program, we assign a defined area (the “Development Area”) within which you, as an area developer (“Area Developer”), must develop and operate a minimum of 2 Taco Restaurants within a specified period of time. The Development Area may be one city, one or more counties, or some other defined geographic area. We may not always afford you the opportunity to develop the number of Taco Restaurants that you request. You will sign an Area Development Agreement (Exhibit B), which will describe your development area and your development schedule and obligations. You and we will determine the Development Area and the number of Taco Restaurants that you will develop and operate before you sign your Area Development Agreement. You must sign a separate Franchise Agreement for each Taco Restaurant that you will open under the Area Development Agreement. The Franchise Agreement for

your first Taco Restaurant will be in the form attached as Exhibit A to this Disclosure Document and must be signed when you sign your Area Development Agreement. The Franchise Agreements you will sign for your additional Taco Restaurants will be signed after we accept the site for each Taco Restaurant and will be our then-current form of Franchise Agreement that we are then offering to new franchisees. These Franchise Agreements may contain terms and conditions that are materially different from the form of Franchise Agreement attached to this Disclosure Document as Exhibit A.

Under both of our franchise programs, franchisees or area developers may be individuals or entities who meet our then-current requirements for franchisees or area developers. These requirements may include the signing of personal guarantees (Exhibit C to Franchise Agreement) by some or all of the individuals holding an equity interest in the franchisee or area developer. In addition, you, and each affiliate who has a currently effective Franchise Agreement with us, must sign a General Release (Exhibit E) (subject to applicable state law), as a condition to entering into a new Franchise Agreement.

Renewals

If you are signing your Franchise Agreement for the renewal of an existing Franchise (a "Renewal Franchise"), some of the terms of your new Franchise Agreement may be modified or different from the terms of your existing Franchise Agreement. In addition, you, and each affiliate who has a currently effective Franchise Agreement with us, must sign a General Release (Exhibit E) (subject to applicable state law), as a condition to entering into a new Franchise Agreement.

Competition

The typical Taco Restaurant is on a major thoroughfare or in or adjacent to a retail shopping center. You will compete in the fast-food business with various established independent local restaurants and regional or national chain outlets specializing in Mexican-style food, both fast take-out service and full service as well as with other restaurants and take-out facilities selling other kinds of food or specialty foods. You may also compete with other Taco Restaurants, both franchise and company-operated outlets. Many restaurants specialize in Mexican-style food and competition in the restaurant business in general and the fast-casual food industry in particular is relatively non-seasonal and intense. In addition, competition for qualified management and supervisors, skilled labor and unskilled labor for the restaurant industry is significant, which may cause labor costs to be higher than average. The supply of suitable locations for restaurants is limited and is subject to increasing demand from other restaurant concepts and non-restaurant retailers.

Special Industry Regulation

Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Taco Restaurant, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the Taco Restaurant premises; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness, (e) govern the use of vending machines, (f) control the sale of alcoholic beverages; and (g) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and

requirements that may apply in the geographic area in which you are interested in locating your Taco Restaurant and should consider both their effect and cost of compliance.

Taco Restaurants are allowed to serve beer and wine with our prior written approval. State alcoholic beverage regulatory authorities administer and enforce laws and regulations that govern the sale of alcoholic beverages. You are required to use your best efforts to obtain a beer and wine license. You must comply with all applicable laws, rules and regulations in your state and locality related to the sale of alcoholic beverages at your Taco Restaurant.

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

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

The Payment Card Industry Data Security Standard ("PCI") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accepts, transmits or stores any cardholder data.

You should consult with your attorney concerning these and other local laws and ordinances that may affect your Taco Restaurant.

ITEM 2 BUSINESS EXPERIENCE

Michael Mohammed, President, Chief Executive Officer, and President of Canadian Operations

Michael Mohammed joined Chronic Tacos and has served as our Chief Executive Officer since March 2012. Mr. Mohammed has also served as our President since March 2012. Mr. Mohammed has served as the Manager and member of CTE Restaurants since its organization in November 2014.

Dan Mohammed, Vice President of Development and Canadian Operations

Dan Mohammed joined Chronic Tacos and has served as our Vice President of Development and Canadian Operations since March 2012. From March 2003 to the present, Mr. Mohammed has served as the Vice President of Cattermole Group in Delta, British Columbia, Canada.

David Mohammed, Director of Marketing and Secretary

David Mohammed joined Chronic Tacos and has served as our Director of Marketing since March 2012. He has also served as Secretary since December 2016.

Randall "Randy" Wyner, Director of Sales and Founder

Randy Wyner is our founder and has served as our Director of Sales since March 2002.

Jennifer Lewis, Director of Operations

Jennifer Lewis joined Chronic Tacos and has served as our Director of Operations since April 2018. From October 2018 to April 2015, Ms. Lewis owned and operated a Chronic Tacos franchise in Las Vegas, Nevada.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

Our Director of Sales and Founder, Randy Wyner, filed a bankruptcy petition under the liquidation provisions of Chapter 7 of the U.S. Bankruptcy Code on October 26, 2016. In re Wyner, No. 8:16-bk-14423-CB (C.D. Cal. 2016). On February 13, 2017, the bankruptcy court entered a discharge.

ITEM 5
INITIAL FEES

Single Taco Restaurant Program

You must pay us an initial franchise fee (the "Initial Franchise Fee") of \$30,000 for your first single Taco Restaurant when you sign the Franchise Agreement (Exhibit A). If you are signing the Franchise Agreement with the renewal of an existing Franchise, you will pay a renewal fee in lieu of an Initial Franchise Fee when you sign the renewal Franchise Agreement as provided in your existing Franchise Agreement.

Area Development Program

When you sign the Area Development Agreement (Exhibit B) for a minimum of 2 Taco Restaurants, you must pay us a development fee (the "Development Fee") of \$10,000 for the second Taco Restaurant and each subsequent Taco Restaurant thereafter to be opened under the Area Development Agreement. You must

also sign a separate Franchise Agreement (Exhibit A) for each Taco Restaurant to be opened under the Area Development Agreement. When you sign the Franchise Agreement for your first Taco Restaurant, you must pay us an Initial Franchise Fee of \$25,000. When you sign the Franchise Agreement for your second and each subsequent Taco Restaurant to be opened under the Area Development Agreement, you must pay us an Initial Franchise Fee of \$25,000, less the Development Fee credit. The maximum Development Fee credit for the second and each subsequent Taco Restaurant is \$10,000. If you signed an earlier form of Area Development Agreement which differs from our current form, your Initial Franchise Fee will be determined by your Area Development Agreement. After we accept the proposed Franchised Location for each Taco Restaurant to be opened by you and after we deliver our then current Disclosure Document to you, you must sign a Franchise Agreement for the Franchised Location.

Refunds, Different Fees and Financing

All fees discussed in this Item 5 are fully earned by us when paid and are not refundable under any circumstances, even if you, as an Area Developer, fail to open any Taco Restaurants. We use the proceeds from Initial Franchise Fees to defray a portion of our expenses in connection with the sale and establishment of franchises, such as: (i) costs related to developing and improving our services; (ii) expenses of preparing and registering this Disclosure Document; (iii) legal fees; (iv) accounting fees; (v) costs of obtaining and screening franchisees; and (vi) general administrative expenses.

We may reduce, finance, defer or waive the Initial Franchise Fee or Development Fee if and when we determine it is warranted by a unique or compelling situation. We generally do not provide financing for the Initial Franchise Fee or Development Fee. We may do so if and when we determine it is warranted by a unique or compelling situation.

ITEM 6
OTHER FEES¹

Name of Fee	Amount	Due Date	Remarks
Continuing Royalty Fee ²	Greater of 6% of Gross Sales of the Taco Restaurant or \$600	Wednesday of each week on the Gross Sales of the Taco Restaurant during the previous week	Gross Sales includes all revenue from your Taco Restaurant operations. Gross Sales do not include the amount of bona fide refunds paid to customers and the amount of any sales or use taxes actually paid to any governmental authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.
Chronic Tacos Advertising Fund Fee	Greater of 2% of Gross Sales of the Taco Restaurant or \$100, per week	On or before Wednesday of each week based on the Gross Sales of the Taco Restaurant during the previous week	Payable to us to be administered through our Advertising Fund. We reserve the right to increase the Advertising Fund Fee up to the greater of 3% of Gross Sales or \$300 per week, upon 90 days' written notice to you.

Name of Fee	Amount	Due Date	Remarks
Local Advertising	Currently, 1% of Gross Sales of the Taco Restaurant	As Arranged	This amount is not paid to us. You must spend the required local advertising expenditure each calendar quarter on local advertising and promotion of the Taco Restaurant. We reserve the right to increase the local advertising expenditure up to 3% of Gross Sales, upon 30 days' written notice to you.
Cooperative Advertising	As determined by each Co-Op Advertising Region; but not to exceed 2% of Gross Sales.	Established by us	You must contribute to the Co-Op if we establish a Co-Op Advertising Coverage Area for the region where your Taco Restaurant is located. Any amount you must contribute to the co-op will be credited against the amount which you must spend on local advertising under Section 10.2 of your Franchise Agreement.
Late Charge ³	\$200 plus 1-1/2% per month (18% per year) on the amount outstanding per month, but not exceeding the maximum legal rate, which is currently 10% annually in California, from the date payment was due until paid in full ²	Continues to accrue until paid	Payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or if any sums due to us are not paid promptly when due.
Daily Fee	No charge for up to 1 week of post-opening Additional Initial Training or other Additional Training, then a fee established by us (currently \$300 per person, per day) for each of our employees who provide post-opening Additional Initial Training Programs or Additional Training Programs, plus our out-of-pocket expenses, including transportation, food and lodging.	On demand	If, following the opening date of your Taco Restaurant, you request us to provide additional Initial Training Programs for new or replacement supervisory or managerial personnel, you must pay this Daily Fee per trainer if the training lasts for more than 1 week. We may require you and your general manager to attend additional and remedial training programs, at our discretion and you must pay this Daily Fee per trainer if the training lasts for more than 1 week.

Name of Fee	Amount	Due Date	Remarks
Post-Opening On-Site Assistance	No charge for your first Taco Restaurant; then, a fee established by us (currently \$300 per person, per day) plus our out-of-pocket expenses, including transportation, food and lodging	On demand	We will provide you with a 2-person opening assistance team to assist you for up to 1 week before and 2 weeks after the opening date of your first Taco Restaurant. You must pay us our then-current daily fee to provide the Opening Assistance Team if the Opening Assistance Team remains at your Taco Restaurant for more than 2 weeks, or if you ask us to provide you with an Opening Assistance Team for your second or subsequent Taco Restaurants. You must also pay all transportation costs, food, lodging and similar costs incurred for the Opening Assistance Team.
Site Location Review	Currently \$500	On demand	You are responsible for selection of the proposed site of your Taco Restaurant, which will be subject to our review and acceptance.
Consultation Fee	Currently \$500 per day	On demand	We may provide regular consultation and advice to you in response to your inquiries regarding administrative and operating issues. You must pay all transportation costs, food, lodging and similar costs that may be incurred by us to provide these services.
Manual Replacement Fee	\$500	On demand	Payable if you misplace the Manuals or fail to return them to us upon demand.
Inspection Fee	\$500 per re-inspection	On demand	Payable if we must revisit the Taco Restaurant for another inspection after you have already been notified of any deficiency or unsatisfactory condition at the Taco Restaurant, including quality, cleanliness, service, and health.
Insurance	Amount of unpaid premiums and our out of pocket costs	On demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Transfer Fee (Franchise Agreement and Area Development Agreement)	\$15,000	Before transfer	Payable if you transfer/assign your Franchise Agreement or Area Development Agreement (subject to state law).

Name of Fee	Amount	Due Date	Remarks
Non-Cash Payment System	All costs associated with non-cash payment systems	As incurred	You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems we specify to enable customers to purchase authorized products.
Default Reimbursement	Our costs and expenses from your default	Within 5 days after you cure your default or on demand if the default is not cured	Payable only if you default under the Franchise Agreement.
Audit ³	Cost of audit plus interest at the highest rate allowed by law (not to exceed 18%) ²	On demand	Payable only if audit shows an understatement of 3% or more of Gross Sales.
Interim Management Fee	To be determined	As incurred	If you are in default under the Franchise Agreement, and we elect to assume interim management of your Taco Restaurant during the pendency of any cure period or in lieu of immediately terminating your Franchise Agreement, we may charge you a reasonable fee for management services.
Renewal Fee (Franchise Agreement)	\$5,000	When you deliver a renewal notice to us for your Franchise Agreement	This \$5,000 renewal fee will be in lieu of the Initial Franchise Fee payable when you "renew" your Franchise Agreement.
Renewal Fee (Area Development Agreement)	\$15,000	When you deliver a renewal notice to us for your Area Development Agreement	
Gross-Up Fees	Varies with circumstances	On demand	To ensure that we receive a full 6% of Gross Sales (or \$600) as a Continuing Royalty Fee and the full Advertising Fund Fee that is due, you must pay us, whether in arrears, in advance, in a lump sum or in the same manner that you pay us Continuing Royalty Fees and Advertising Fund Fees, the amount of all taxes we must pay on revenue we earn or collect based upon your use of our

Name of Fee	Amount	Due Date	Remarks
			intellectual property or other intangibles or based upon the existence of the Franchise Agreement.
New Product and Supplier Testing	Actual cost of inspection and testing; \$1,000 must be paid as a deposit.	As incurred with the \$1,000 fee paid as a deposit before inspection	If you propose to purchase any goods or materials from a supplier that we have not previously approved, you must submit a written request to us for approval or you must request the supplier itself to do so. We have the right to require, as a condition of our approval, that our representatives are permitted to inspect the supplier's facilities, and that you deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we designate for testing. You must pay us a fee which will not to exceed the actual cost of the inspection and testing.
Technology Fee	\$50 - \$200 per week	Weekly	Includes cost for support for your POS system, loyalty program and online ordering, and our development and maintenance of online management platforms and corporate intranet, including a trading platform and marketing portal. We may, on 30 days' written notice to you, increase the amount of the Technology Fee to an amount not to exceed \$200 per week.
Post-Termination Gross Sales Fee	6% of all revenue derived from the operation of the Competitive Business.	15 th day of each month on the Post Termination Gross Sales of the Competitive Business during the preceding calendar month.	Payable if you operate a Competitive Business after the expiration, termination or assignment of your Franchise Agreement in violation of the covenants in your Franchise Agreement.
Relocation Fee	\$2,500	When we approve your request to relocate your Taco Restaurant.	You must obtain our consent to the relocation of your Taco Restaurant.

Name of Fee	Amount	Due Date	Remarks
Franchise Conference Fee	\$500	Upon demand at least 30 days before the date of the Annual Franchise Conference.	You must pay us a Franchise Conference Fee to reimburse us for a portion of our direct costs to provide the Annual Franchise Conference, whether or not you attend the conference.
Sanitation and Food Safety Audits	Cost of the inspection.	On demand.	We may, at our sole discretion, contract with a third party to conduct sanitation and food safety audits during the term of your Franchise Agreement.
Reimbursement for Payments Made to Approved Suppliers	Varies	As incurred.	If we receive notice from an Approved Supplier that you are over 60 days past due on any payment owed to the Approved Supplier, and you have not previously provided notice to the Approved Supplier disputing the overdue amount, we will have the right, but not the obligation, to make payment to the Approved Supplier on your behalf and to reimburse our self for the amount we paid by electronic funds transfer from your bank account.
Private Offering Fee (Franchise Agreement and Area Development Agreement)	\$10,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses with reviewing the proposed offering.	Before offering.	Payable for each proposed private offering of securities, partnership or other ownership interests in Franchisee and is in addition to any Transfer Fee under any Franchise Agreement and/or Area Development Agreement.
Relocation Assessment	An amount equal to the Royalty Fees you paid for your original Taco Restaurant during the last preceding calendar year plus an additional 10%.	On demand.	If we consent to a relocation of your Taco Restaurant, you secure the new Franchised Location and open your replacement Taco Restaurant at the new Franchised Location within 12 months from the date we approve the new Franchised Location. If you fail to do so, we can bill you for the Relocation Assessment as described in this chart.
Music Subscription Service	Then-current fee charged by our Approved Supplier, which is currently \$30 per month.	As agreed.	Payable to our Approved Supplier. Please see Items 8 and 11 of this Disclosure Document for additional information on Approved Suppliers and this fee.

NOTES:

1. Unless otherwise noted above, all fees are uniformly imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable. None of these fees are imposed by a cooperative.
2. If state or local law in the state in which the Taco Restaurant is located prohibits or restricts in any way your ability to pay and our ability to collect Continuing Royalty Fees or other amounts due to us based on revenue derived from the sale of alcoholic beverages at the Taco Restaurant, we will reset the amount of the Continuing Royalty Fees or other sums payable to us and redefine Gross Sales to exclude the payment of Continuing Royalty Fees on revenue derived from the sale of alcoholic beverages to an amount that will have the same basic economic result for both you and us.
3. Interest begins from the date of the underpayment.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

SINGLE TACO RESTAURANT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
BUILD-OUT COSTS¹					
Permits and Licenses	\$3,000	\$8,000	Cash	As Incurred	City, County, State
Leasehold Construction ²	\$110,000	\$475,000	As Arranged	As incurred	Approved Supplier
FURNITURE, FIXTURES, EQUIPMENT & SIGNAGE³					
Signage	\$7,500	\$10,000	As Arranged	As Incurred	Approved Supplier
POS System/Audio/Video/Digital Menus ⁴	\$8,000	\$20,000	As Arranged	As Incurred	Approved Supplier
Equipment and Furniture	\$70,000	\$200,000	As Arranged	As Incurred	Approved Supplier
Opening Inventory	\$10,000	\$20,000	As Arranged	Before Opening	Approved Supplier
Uniforms	\$500	\$500	As Arranged	Before Opening	Approved Supplier

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Grand Opening Advertising ⁵	\$3,000	\$7,000	As Arranged	Before Opening	Approved Supplier
OTHER EXPENSES					
Taco Restaurant Premises (Lease Deposit and First 3 Months' Rent) ⁶	\$15,000	\$48,000	Cash (non-refundable)	At signing	Lessor
Insurance - Liability & Workers' compensation (initial deposit)	\$5,000	\$10,000	Cash	Monthly Premium	Insurance Carriers
Legal Fees/Organizational Expenses ⁷	\$2,000	\$5,500	Cash	As Incurred	Legal & State
Initial Franchise Fee ⁸	\$30,000	\$30,000	Cash	At signing	Us
ADDITIONAL FUNDS (3 months) ^{8,9,10}	\$20,000	\$50,000	Cash	As Incurred	Approved Suppliers & Employees
Grand Total ¹⁰	\$284,000	\$884,000			

**AREA DEVELOPMENT AGREEMENT (A MINIMUM OF 2 RESTAURANTS)
YOUR ESTIMATED INITIAL INVESTMENT PER RESTAURANT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
INITIAL INVESTMENT FOR THE 1st TACO RESTAURANT					
Initial Investment to Open 1 st Taco Restaurant ¹¹	\$284,000	\$884,000	See Above	See Above	See Above
Development Fees ⁸	\$10,000	\$10,000	Cash	At Signing	Us
Additional Legal Fees ⁷	\$2,000	\$5,000	Cash	As Incurred	Legal & State
GRAND TOTAL ¹⁰	\$296,000	\$899,000			

Unless otherwise noted above, all fees are uniformly imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable. You authorize us to debit from your designated primary business checking or savings operating account for each week any funds due and

payable to us for continuing royalty fees, advertising fees, rent and occupancy expenses and all other sums that you owe to us or our affiliates. We currently do not offer financing for any purpose, but reserve the right to do so in the future. We do not guarantee your note, lease or other obligation.

1. This category includes items such as an alarm system, electronic cash register, dining room furniture, janitorial equipment, food preparation and other kitchen equipment and major appliances. It also includes equipment lease deposits, sales tax deposits or bonds, construction permits, sewer hookup charges, and utility deposits. If your location has a larger than customary square footage or you must deal with unusual structural issues during your build-out, your costs may be greater than the range provided.

2. After you sign a lease for the site of your Taco Restaurant and before you begin any construction or renovation of the site, you must pay our Approved Supplier of architectural and design services between \$15,000 to \$18,000 ("Architect Fee"), depending on the size of your Taco Restaurant, to design your site to conform with our standard architectural plans and specifications. These estimates are for the costs incurred for construction and remodeling a location to conform to our current standards, including a general contractor's fee (generally equal to 10% to 15% of total construction costs); contractor's insurance; materials and supplies; tools; labor and subcontractor fees; other costs to construct leasehold improvements which conform to our standards, including hiring an architect and MEP engineer that we approve. These estimates presume that you will receive a "vanilla shell" from your landlord for your Taco Restaurant. For purposes of these estimates, a "vanilla shell" for a Taco Restaurant includes leased premises of approximately 1,500 square feet with (1) a minimum of one restroom built to local code specifications in a location designated by your landlord, but typically at the rear of the premises; (2) sheet-rocked, taped and painted walls; (3) concrete floor, broom clean; (4) suspended dropped t-bar ceiling, usually with a 2' x 4' grid; (5) 400-40 amp low voltage electrical service distributed to local code specifications; (6) fluorescent 4' x 2' lighting fixtures with usually one fixture per 150-200 square feet; (7) HVAC system distributed at one ton per 150 square feet depending upon local climate conditions and use, generally with a gas heating system and an electrical air conditioning system; (8) fire sprinklers per local code specifications distributed throughout the premises designed for retail use; and (9) water, gas, cable and telephone service stubbed to the rear of the premises. If you do not receive a "vanilla shell" from your landlord, your leasehold construction costs may substantially exceed these estimates. These estimates do not include demolition expenses. You must perform or have performed any construction, remodeling, or additions necessary to cause the premises to conform to applicable federal, state, county, city, local laws, ordinances, codes, rules and regulations governing food service businesses and to meet our requirements for the layout design, construction, fixturation, equipment and installation, and the trade dress appearance of a Taco Restaurant. Construction and remodeling costs vary widely, depending upon the location, design, the condition and configuration of existing services and facilities such as air conditioning, electrical and plumbing, and the terms of your lease. You must grant us a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Taco Restaurant.

3. You must prepare and sell all of the menu items that we designate as part of our standard menu and provide all standard services we designate. You must purchase any additional equipment or fixtures necessary to provide these services or menu items, the cost of which may be significant. If you wish to provide Catering Services from your Taco Restaurant, we estimate the cost for additional supplies (such as chafing dishes, warmers and other supplies) will be \$1,000 to \$2,000. If you choose to serve beer and wine, with our prior written approval, beer and wine license costs will generally range \$1,500 - \$7,000. However, you may have to pay an amount that is substantially higher for a beer and wine license. You must check with your local alcoholic beverage licensing authority to determine the cost of your beer and wine license.

4. This estimate includes the point-of-sale (POS) system, security cameras, wide screen televisions and a sound system. Currently we require you to purchase our integrated POS system from Auphan. It will cost you between \$4,500 and \$12,000 to buy the POS System and \$60 to \$200 per month for maintenance and update requirements. We estimate the total cost for the POS System, security cameras, wide screen televisions and a sound system will be between \$8,000 and \$20,000.

5. At least 60 days before the opening of your Taco Restaurant, you must submit a grand opening required spending plan ("Grand Opening Plan") to us, which outlines your proposal for grand opening marketing and promotion of your Taco Restaurant. You must obtain our written consent to the Grand Opening Plan before you implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. You must, during the period beginning 30 days before the scheduled opening of your Taco Restaurant and continuing for 15 days after your Taco Restaurant opens for business, spend \$3,000 - \$7,000 to conduct grand opening marketing and promotion for your Taco Restaurant.

6. These estimates assume that your location will be a leased, unimproved, unfinished retail store-type unit. The estimates are based on the assumption that the premises will be rented and that, in addition to rent payments, the landlord will require a lease deposit equal to 2 months' rent. A typical Taco Restaurant will be located in a suburban area on a major thoroughfare or adjacent to or part of a suburban shopping center. The typical location will be 1,200 to 1,800 square feet. Monthly lease payments usually range from \$3,000 to \$12,000.

7. This estimate includes legal review and negotiation of the lease for the franchised Taco Restaurant and accounting assistance in setting up your books. This estimate includes legal review and negotiation of the lease for the Franchised Location and accounting assistance in setting up your books. Additional Legal Fees in the Area Development chart above reflect additional legal costs you may incur as a result of signing an Area Development Agreement.

8. The Initial Franchise Fee is \$30,000 for your first Taco Restaurant. The Initial Franchise Fee is described in Item 5 of this Disclosure Document. Your designated trainees must complete our Pre-Opening Initial Training Program to our satisfaction for you to be eligible to become a franchisee. You will also be responsible for costs of travel, lodging, compensation and other expenses during our Initial Training Program. If you sign an Area Development Agreement, you must pay an Initial Franchise Fee equal to \$25,000 for your first Taco Restaurant and \$25,000 for your second and each subsequent Taco Restaurant. You must also pay a Development Fee equal to \$10,000 for the second Taco Restaurant and each subsequent Taco Restaurant thereafter which you must open under the Area Development Agreement. These estimates in the charts above do not reflect the \$10,000 credit for the Development Fee which will be applied toward the Initial Franchise Fee of the second Taco Restaurant and each subsequent Taco Restaurant thereafter if your designated trainees complete the Pre-Opening Initial Training Program to our satisfaction. We generally do not provide financing for the Initial Franchise Fee or Development Fee. We may do so if and when we determine, it is warranted by a unique or compelling situation. Please see Item 10 for further information.

9. You must, at all times, maintain adequate reserves and working capital sufficient for you to fulfill all your obligations under the Franchise Agreement and to cover the risks and contingencies of the Taco Restaurant for at least 3 months. The estimates provided above include estimated employee wages, including 6 - 8 weeks' pre-opening training for 2 supervisory or managerial personnel, opening cash, and other miscellaneous expenses incurred before opening and during the first three months of operations. These estimates do not take into account (i) the finance charges, interest and related costs you may incur if any

portion for the initial investment is financed, or (ii) the costs of a security system, which we estimate will cost between \$30 to \$200 per month to lease, or music system, which we estimate to cost between \$30 and \$100 per month to lease. These amounts are the minimum recommended levels to cover operating expenses, including employees' salaries for 3 months. Additional working capital may be required if sales are low or fixed costs are high. The disclosure laws require us to include this estimate of all costs and expenses to operate your Franchise during the "initial phase" of your business, which is defined as a 3 month period or longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for the restaurant industry, so our disclosure covers a 3 month period.

10. To develop these estimates, we relied on the experience of our franchisees, if and to the extent that they shared this information with us, and of our affiliate, CTE Restaurants, in establishing and operating Taco Restaurants, a majority of which have been established in California. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

11. The Initial Investment to Open 1st Taco Restaurant is taken from the first chart in Item 7, entitled Estimated Initial Investment, Single Taco Restaurant.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you have no obligation to purchase or lease from us or from suppliers approved by us or according to specifications we issue:

Franchised Location. You are solely responsible for locating your Taco Restaurant site at the Franchised Location, subject to our acceptance. After you sign your Franchise Agreement, you must identify one or more sites that meet our then-current standards and specifications. If your Taco Restaurant has not yet been constructed, or does not meet our current standards for new Taco Restaurants, you must cause the Taco Restaurant to be constructed, equipped and improved in compliance with our specifications in the Manuals. You must use our approved architect to design the architectural and engineering drawings for the Taco Restaurant before you begin construction.

Approved Suppliers. You may only use suppliers that we have accepted and approved ("Approved Suppliers") because they have demonstrated to us their ability to supply products and services for Taco Restaurants meeting our specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. We will provide you with the names of our Approved Suppliers and specifications, standards and restrictions on your purchase of products and services after you sign your Franchise Agreement. We may update our list of Approved Suppliers from time to time. All "Chronic Tacos Branded Products", "Chronic Tacos Proprietary Products" and "Non-Proprietary Products" designated by us for use and sale at or from the Franchised Business must be purchased from Approved Suppliers. "Chronic Tacos Branded Products" are products now existing or developed in the future that bears any of the Chronic Tacos Marks, including products that are prepared, sold and/or manufactured in strict accordance with our recipes, methods, standards and specifications, including pre-packaged food and beverage products, clothing, souvenirs and novelty items. We and our affiliates may be Approved Suppliers. Approximately 90% of your start-up expenses and 80% of your ongoing expenses, other than fees disclosed in Items 5 and 6, will be for purchases from Approved Suppliers or purchases according to our specifications. For the fiscal year ended December 31, 2023, we received \$5,669 or about 0.31% of our

total revenue of \$1,810,486 from our franchisees for purchases and leases that our franchisees were required to purchase from us. We will provide you with our Manuals and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of products and services. You must operate your Taco Restaurant in strict compliance with the standard procedures, policies, rules and regulations contained in the Manuals.

Authorized Chronic Tacos Products and Proprietary Products. You must serve all and only the products we authorize (“Authorized Chronic Tacos Products”). We may specify proprietary food products, beverages, packaging and products which are area produced or manufactured according to our trade secrets, proprietary recipes, specifications and/or formulas (collectively, the “Chronic Tacos Proprietary Products”). You must buy Chronic Tacos Proprietary Products only from us or our affiliates (if we or they sell them) or our Approved Suppliers. If you elect to purchase Chronic Tacos Proprietary Products from us or an affiliate, we or they may derive profits from these purchases. We will not be obligated to reveal our trade secrets or the recipes, specifications and/or formulas of Chronic Tacos Proprietary Products to you or any third party. You must purchase, use, and maintain in stock a sufficient amount of Authorized Chronic Tacos Products and Chronic Tacos Proprietary Products to operate your Taco Restaurant.

Non-Proprietary Products. We may designate selected non-proprietary food products, condiments, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, menus, packaging, forms, customer comment cards, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Chronic Tacos Proprietary Products, which you may or must use or sell at the Taco Restaurant (“Non-Proprietary Products”). You may use, offer or sell only those Non-Proprietary Products that we expressly authorize. You may purchase them from us or one of our affiliates (if we or they sell them) and Approved Suppliers. Each supplier we approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and satisfy us that it will supply products meeting our specifications (which may include particular brand names, model, contents, quality, freshness and compliance with governmental standards), reliably deliver consistent quality products or services, and meet any other requirements we determine is in the best interest of the Chronic Tacos System. We may limit items to a particular brand or brands set by us. To purchase items from us or one of our affiliates, you must use the form of purchase order we provide. We may change our prices, delivery terms and other terms upon prior written notice, but our prices to you will be the same as the prices charged to similarly situated franchisees.

Food Delivery and Catering Services. You must adhere to our delivery and catering policies and procedures as set forth in the Manuals, which may restrict the areas in which you may offer delivery services and catering services. Our delivery and catering policies and procedures may allow other Taco Restaurants to provide delivery and catering services in your protected area and may allow you to provide delivery and catering services outside of your Protected Area.

Fixtures, Furnishings and Equipment. You must purchase and install, at your expense, all fixtures, furnishings, equipment (including a POS System), décor, and signs as we direct. You may not install on or about your Taco Restaurant any furnishings, interior or exterior décor items, supplies, fixtures, equipment or utensils unless they have been approved by us in writing. You must purchase these items from Approved Suppliers.

Computer Equipment. You must purchase, lease or license all computer hardware and software designated by us for the Taco Restaurant at your expense. You must maintain and update all computer

hardware and software as required by us. We anticipate entering into an agreement with World Manager to be our only approved supplier of restaurant management software you must use at your Taco Restaurant. (See Item 11).

Recommended Suppliers. If you wish to procure any items from a supplier other than us or an Approved Supplier, you must obtain our approval in the manner described in Section 8.2 of the Franchise Agreement. You must identify the proposed supplier, its name and address, and the item(s) you desire to purchase from that supplier. We may require you to deliver a sample of their product. Our specifications and standards for supplier approval are generally available upon written request. If product specifications for the item are not in the Manuals, we will furnish the general, but not manufacturing, specifications for Non-Proprietary Products to you at your request. We may condition our approval on the supplier agreeing in writing not to disclose any confidential information regarding us or our operations, to comply faithfully with our specifications for the items it sells, to sell any materials bearing our marks only to our franchisees, and on the supplier demonstrating to our reasonable satisfaction that it is able to supply commodities meeting our specifications on a continuing basis, and that the supplier is, and will continue to be, of good standing in the business community with regard to its financial soundness and the reliability of its product and service. We also have the right to require, as a condition of approval, that our representatives are permitted to inspect the supplier's facilities and that you deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we reasonably designate for testing. You must pay us a fee not to exceed the actual cost of the inspection and the testing. In addition to product testing, a facility audit may be required. You will be responsible for any additional costs and expenses, if any, associated with the inspection of the facility and shall pay us, in advance, a deposit of up to \$1,000, before we begin any inspection. We will use our good faith efforts to notify you of our decision in writing of our approval or disapproval of a proposed supplier within 60 days after we receive your request for approval and all requested back-up information. You may not use a supplier unless we notify you of our approval in writing. We may revoke a supplier's approval for failure to comply with our requirements and specifications. We will disapprove or withdraw our approval of any supplier by written notice to you.

Presently there are no purchasing or distribution cooperatives. No franchisor officer owns an interest in any supplier.

Rebates. We may, from time to time, receive rebates from Approved Suppliers based on the aggregate volume of items purchased by franchisees from Approved Suppliers. In addition, we may negotiate certain arrangements, including price terms, for the purchase of certain items, such as logoed paper products and cups for the benefit of our franchisees. We do not currently negotiate purchase arrangement, including price terms, with suppliers but reserve the right to do so in the future. We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers. Your purchase of items from unapproved suppliers, however, constitutes a breach of your Franchise Agreement, which may lead to termination of your Franchise Agreement and other remedies under applicable law. For the fiscal year ended December 31, 2023, we received revenues in the form of rebates totaling \$70,766: \$41,089 from Coca Cola, \$21,967 from Viele & Sons, \$4,794 from Consolidated Concepts, and \$5,917 from Cheney Brothers, representing approximately 4.07% of our total income of \$1,810,486 based on franchisees' purchases from those vendors. All rebates were deposited into the Advertising Fund.

Insurance. You must obtain and maintain throughout the term of your Franchise Agreement the types and amounts of insurance required by us and you must provide us with proof of coverage and Certificates of

Insurance for all policies of insurance. You must obtain worker's compensation insurance with limits in compliance with your state law and employer's liability insurance with \$1,000,000 combined single limit coverage, as well as any other insurance that may be required by statute or rule of the state in which your Taco Restaurant is located or operated. Additionally, you must obtain: (i) comprehensive general liability insurance and product liability insurance with limits of \$1,000,000 combined single limit coverage including the following: broad form contractual liability and personal injury coverage (employee and contractual inclusion deleted) insuring us and you against all claims, suits, obligations, liabilities and damages, including attorneys' fees, for actual or alleged personal injuries or property damage relating to your Taco Restaurant business, provided that the required amounts may be modified periodically by us to reflect inflation or future experience with claims; (ii) automobile liability insurance on company vehicles, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least \$1,000,000; (iii) loss of income insurance (in an amount sufficient to cover the continuing license fee and other fees due under the Franchise Agreement for a period of at least 12 months); (iv) rental value insurance (in an amount sufficient to cover the rents and other fees due the landlord and/or merchants' association under the lease, if any, during any period of business interruption or inability to operate your Taco Restaurant) or any greater amounts of insurance as required by the Lease for the Franchised Location; (v) employment practices liability insurance; (vi) employee non-owned automobile insurance with limits of \$1,000,000; (vii) cyber-liability insurance with limits of \$50,000; and (viii) additional insurance and types of coverage as required by the terms of any Lease for the Franchised Location, including an umbrella policy with limits of \$2,000,000 to \$4,000,000. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes. If you do not obtain any insurance as required, we have the right (but not the obligation) to purchase insurance on your behalf and you must reimburse us for our costs related to the purchase of insurance.

Credit Cards. You are required to honor all credit, charge, courtesy and cash cards approved by us in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with selling Authorized Chronic Tacos Products, you are required to maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("PCI DSS"), currently found at www.pcisecuritystandards.org for the protection of cardholder data throughout the Term of your Franchise Agreement. You are responsible for the security of cardholder data in the possession or control of any of subcontractors you engage to process credit cards. All subcontractors must be identified to and approved by us in writing prior to sharing cardholder data with the subcontractor. You must, if requested to do so by us, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all identified subcontractors.

Gift Cards, Loyalty and CRM Programs, Social Media Software, Online and Mobile Ordering. You may not create or issue any gift certificates or gift cards and may only sell gift certificates or gift cards that have been issued or approved by us that are accepted at all Taco Restaurants. You must participate in all gift certificate and/or gift card administration programs as we may designate from time to time. You must honor all coupons, gift certificates, gift cards and other programs or promotions we direct. You must fully participate in all guest loyalty, CRM or frequent customer programs now or in the future adopted or approved by us. You must not issue coupons or discounts of any type for use at the Taco Restaurant except as approved by us in writing. Currently we require you to subscribe to (i) the Auphan POS system, which we estimate will cost \$60 to \$200 per month, (ii) social media software that we designate, which we estimate will cost \$60 per month, and (iii) software for online and mobile ordering that we designate, which we estimate will cost \$90 per month. In the future, we may change these suppliers or require you to subscribe to additional programs from the same or different suppliers of these or related services upon notice to you.

Music and Music Selection; Television. You must play only the music and music selections that have been approved by us as set forth in the Manuals or otherwise in writing. You shall install the equipment necessary to receive and play approved music. You must have a subscription to and use our approved music subscription service. Currently, CrowdTunes is our only approved music subscription service. We have the right to change music subscription services at any time upon 90 days' notice. You must only use a television subscription service that has been approved by us as set forth in the Manuals or otherwise in writing. You shall install the equipment necessary to use the approved television subscription service. Currently Atmosphere Television is our only approved television subscription service. We have the right to change television subscription services at any time upon 90 days' notice. (See Item 11).

Restaurant Management Software. We are exploring third party suppliers to provide our franchisees with restaurant management software. If and when we enter into an agreement with a supplier for restaurant management software, all franchisees must use the approved restaurant management software at their Taco Restaurants and pay our Approved Supplier a fee. We anticipate the fee will be no more than \$300 per month.

There are no restrictions as to whom you may sell the goods or services.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section(s) In Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 5 of the Franchise Agreement; Sections 5.1-5.2 of the Area Development Agreement	Items 8, 11 and 12
b. Pre-opening purchases/leases	Section 5 of the Franchise Agreement; Section 5.2 of the Area Development Agreement	Item 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 5.3 and 5.4 of the Franchise Agreement; Sections 2, 6.1-6.2 and Exhibit B of the Area Development Agreement	Items 7, 8 and 11
d. Initial and ongoing training	Sections 6.1,6.2, 7.2, 7.4, 7.5 of the Franchise Agreement	Items 6, 11 and 15
e. Opening	Section 5.4 of the Franchise Agreement	Item 11
f. Fees	Sections 4 and 14. 7 of the Franchise Agreement; Sections 3.4, 4, 9.4.7 and Exhibit B of the Area Development Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/Manuals	Section 7.1, 7.8, 7.10 -7.15, 7.23, 7.29 of the Franchise Agreement; Sections 6 and 16 of the Area Development Agreement	Item 11 and 16

Obligation	Section(s) In Agreement	Disclosure Document Item
h. Trademarks and proprietary information	Section 9 of the Franchise Agreement; Sections 7 and 8 of the Area Development Agreement	Items 11, 13, 14 and 16
i. Restrictions on products/services offered	Section 8 of the Franchise Agreement; Section 6.2 of the Area Development Agreement	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Sections 2.1, 2.3, 2.5, 2.6 and 6.1 of the Area Development Agreement	Item 12
l. Ongoing product/service purchases	Section 7.8, Article 8 and Section 10.5 of the Franchise Agreement	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Sections 5.3, 7.18 and 7.19 and 7.22 of the Franchise Agreement	Items 7 and 16
n. Insurance	Article 13 of the Franchise Agreement	Items 7 and 8
o. Advertising	Article 10 of the Franchise Agreement	Items 6 and 11
p. Indemnification	Section 18.4 of the Franchise Agreement; Section 14.4 of the Area Development Agreement	Items 12 and 17
q. Owner's participation/management/staffing	Section 7.9 of the Franchise Agreement	Item 15
r. Records and reports	Article 12 of the Franchise Agreement	Items 6 and 17
s. Inspections and audits	Section 12.3 of the Franchise Agreement	Items 6 and 17
t. Transfer	Article 14 of the Franchise Agreement; Articles 9 and 10 of the Area Development Agreement	Items 6 and 17
u. Renewal	Sections 3.2-3.4 of the Franchise Agreement; Sections 3.2-3.4 of the Area Development Agreement	Items 6 and 17
v. Post-termination obligations	Article 17 of the Franchise Agreement; Article 12 of the Area Development Agreement	Items 6 and 17
w. Non-competition covenants	Article 15 of the Franchise Agreement; Article 13 of the Area Development Agreement	Item 17
x. Dispute resolution	Article 19 of the Franchise Agreement; Article 15 of the Area Development Agreement	Item 17
y. Taxes & Permits	Sections 4.5 and 5.3 of the Franchise Agreement	Items 1, 7 and 11
z. Computer hardware and software	Section 7.7 of the Franchise Agreement	Items 8 and 11

Obligation	Section(s) In Agreement	Disclosure Document Item
Other: Security Interest	Sections 4.7 and 17.9 of the Franchise Agreement	Item 7

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, Chronic Tacos Enterprises, Inc. is not required to provide you with any assistance.

Before Opening

We have the following obligations to you before you open your Taco Restaurant for business:

1. Site Selection Assistance. You are solely responsible for selection of the proposed site of your Taco Restaurant, which will be subject to our review and acceptance. We may, without obligation, assist you in locating a proposed site, only after you sign the Franchise Agreement and pay the Initial Franchise Fee. The factors we consider in accepting Franchised Locations include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. You must open the Taco Restaurant within 365 days after signing your Franchise Agreement. We will not unreasonably withhold our consent to your request for additional time to open the Taco Restaurant. (Franchise Agreement, Sections 5.1 and 5.4).
2. Site Design Assistance. We will provide you with standard architectural plans and specifications for a prototype Taco Restaurant, including exterior and interior design, and layout, fixtures, furnishings and signs. You must pay our approved architect an Architect Fee that will range between \$15,000 and \$18,000. The amount of the Architect Fee will be based on the size of your Taco Restaurant. You must cooperate with this architect as necessary to finalize architectural and engineering drawings and construction plans for your Taco Restaurant. You must submit final drawings and plans to us for approval within 45 days after you obtain possession of the Franchised Location. You are responsible for the cost of construction and remodeling the Taco Restaurant. (Franchise Agreement, Section 5.3).
3. Pre-Opening Initial Training Program. We will provide our Pre-Opening Initial Training Program at our corporate office or an affiliate-owned Taco Restaurant located in Southern California for up to 2 supervisorial or managerial personnel, selected by you, who must be the Principal Owner and Restaurant Manager. (Franchise Agreement, Section 6.1).
4. On-Site Opening Assistance. We will provide you with a 2 person opening assistance team experienced in the Chronic Tacos System for up to 1 week before and 2 weeks after the Taco Restaurant Opening Date. (Franchise Agreement, Section 6.4).

5. Manuals. After you sign your Franchise Agreement, we will provide you with access to our operations and training manuals (“Manuals”) to use during the term of the Franchise Agreement. The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply. As of December 31, 2023, our Manuals contained 200 pages. We may, from time to time, update or change the Manuals at our sole discretion. (Franchise Agreement, Section 6.5). You will be given the opportunity to review the Manuals before you sign your Franchise Agreement. You must operate your Taco Restaurant in compliance with the terms of your Franchise Agreement and the Manuals. You alone will exercise day-to-day control over all operations, activities and elements of your Taco Restaurant, including over your employees. Under no circumstance will we do so or be deemed to do so. The various requirements, restrictions, prohibitions, specifications and procedures of the Chronic Tacos System with which you must comply under the Franchise Agreement and the Manuals do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Taco Restaurant, but only constitute standards to which you must adhere when exercising your control over the day-to-day operations of your Taco Restaurant consistent with our policies. (Franchise Agreement, Section 7.1).

6. Approved Suppliers. We will designate our Approved Suppliers for you after you sign your Franchise Agreement. All Chronic Tacos Branded Products, Proprietary Products and Non-Proprietary Products that we designate for use and sale at your Taco Restaurant must be purchased from Approved Suppliers. (Franchise Agreement, Section 8.1).

7. Virtual Training. We may provide any or all portions of the Pre-Opening Initial Training Program and/or pre-opening on-site opening assistance remotely over a virtual communication platform designated by us. (Franchise Agreement, Section 6.8).

Post-Opening Obligations

We have the following obligations to you during the operation of your Taco Restaurant:

1. Post-Opening Assistance Team. We will provide you with a 2 person opening assistance team experienced in the Chronic Tacos System for up to 1 week before and 2 weeks after the Taco Restaurant Opening Date. (Franchise Agreement, Section 6.4).

2. Post-Opening Consultation. We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention. We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom you will offer and sell your products and services; and (iii) the suppliers from whom you obtain any products or services used in or at the Taco Restaurant for which we have not established Chronic Tacos Approved Suppliers. (Franchise Agreement, Section 6.6).

3. Post-Opening Additional Initial Training Programs. Following the Opening Date of the Taco Restaurant, we may, if requested, and at our discretion, provide additional Initial Training Programs for new or replacement supervisory or managerial personnel of yours. (Franchise Agreement, Section 6.2).

4. Post-Opening Additional and Remedial Training Programs. We may provide additional and remedial training programs. (Franchise Agreement, Section 6.3).

5. Products. We will designate Chronic Tacos Proprietary Products and Non-Proprietary Products which you may or must stock and promote. (Franchise Agreement, Sections 8.3).
6. Inspections. We may examine the Taco Restaurant to confer with your supervisory or managerial employees, inspect and check operations, food, beverages, furnishings, interior and exterior décor, supplies, fixtures and equipment, and determine whether the Taco Restaurant is being operated in accordance with the Franchise Agreement, the Chronic Tacos System and the Manuals. (Franchise Agreement, Sections 6.7).
7. Pricing Guidelines. We may provide pricing guidelines for Authorized Chronic Tacos Products, subject to applicable law. (Franchise Agreement, Section 7.8).
8. Manuals. We will continue to provide you with access to our Manuals during the term of your Franchise Agreement which may include audio, video, compact disks, computer software, other electronic media and/or written materials. We may, from time to time, update or change the Manuals at our sole discretion. You will be given the opportunity to view the Manuals before you sign the Franchise Agreement. (Franchise Agreement, Section 6.5).
9. Chronic Tacos Marks and System. We will permit you to use the Chronic Tacos Marks and Chronic Tacos System during the term of your Franchise Agreement. (Franchise Agreement, Section 2.1).
10. Confidential Information. We will provide you with access to our confidential information during the term of your Franchise Agreement. (Franchise Agreement, Section 11.1).
11. Toll Free Telephone Number. We may now or in the future establish a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll free number, you must comply with our procedures for implementing the nationwide service as we specify in the Manuals or otherwise in writing. (Franchise Agreement, Section 6.11).
12. Virtual Training and Inspections. We may provide all or any portions of the Post-Opening Additional Initial Training Programs, additional and remedial training programs, post-opening on-site opening assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by us. (Franchise Agreement, Section 7.6).

Length of Time to Open Taco Restaurant

You must deliver a fully executed copy of the Lease to us promptly following its execution, in the form and on the terms previously accepted by us, and you must open your Taco Restaurant for business within 365 days after signing your Franchise Agreement, unless we agree otherwise. (Franchise Agreement, Sections 5.2 and 5.4). A Taco Restaurant usually opens for business 16 to 52 weeks after the Franchise Agreement is signed or the location is accepted. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to: identify a location which we will accept; obtain any financing you need; obtain required permits and governmental agency approvals; fulfill local ordinance requirements; complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs; and complete the hiring and training of personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors.

You may open a Taco Restaurant under the Area Development Agreement only by signing a Franchise Agreement after you obtain a Franchised Location. As noted above, we estimate the length of time between signing a Franchise Agreement and the opening of your Taco Restaurant is 16 to 52 weeks.

Site Selection/Lease/Purchase of Real Estate

If you do not already have a location when you sign your Franchise Agreement, you must purchase or lease a site for your Taco Restaurant promptly after you sign the Franchise Agreement. You must submit your proposed lease to us to allow us at least 15 days to confirm that the required provisions of Section 5.2 of the Franchise Agreement have been included in the lease and that you and your landlord have signed an Option to Obtain Lease Assignment (Exhibit D) in the form we specify and you must provide us with a fully signed copy within 180 days of signing your Franchise Agreement. (Franchise Agreement, Section 5.2). Our acceptance of your lease is based solely on our own interests. If we accept the proposed site, we will notify you of our preliminary acceptance of the site. Your lease must not (i) obligate us in any manner, or (ii) contain any provision inconsistent with your Franchise Agreement. In addition, your lease must provide for the following: (i) the Lease may not be amended, assigned or sublet without our prior written consent, (ii) we have the right (but not the obligation) to succeed to your rights under the Lease if you fail to exercise any option to renew, and/or extend the term of the Lease, (iii) if you default under the Lease, the Landlord must notify us in writing at least 15 days prior to the termination or non-renewal of the Lease, (iv) we have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to you and the Landlord, (v) you have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to us, or any franchisee or licensee approved by us, and (vi) we have the right to enter the Franchised Location to remove all of the Chronic Tacos Marks from the Franchised Location and modify the décor of the Franchised Location so that it no longer resembles, in whole or in part, a Taco Restaurant if you fail to do so. (Franchise Agreement, Section 5.2). You and we must agree on a site and you must obtain all permits required to construct, remodel, renovate, and equip the Taco Restaurant and complete construction of the Taco Restaurant within 365 days after signing the Franchise Agreement. (Franchise Agreement, Section 5.3). If you are purchasing the Franchised Location, you must submit the contract for purchase and sale to us for approval before you sign it, and provide a fully signed copy of the contract following signing. If you and we fail to agree on a site within the required time limit, we can terminate your Franchise Agreement. (Franchise Agreement, Section 16.2.15).

At the time you sign each Franchise Agreement under an Area Development Agreement, you will be required to locate the site for your Taco Restaurant, but we must approve the site and our then-current standards for Taco Restaurant sites will apply. After you have located a site, you must submit it to us for our review, all demographic and other information regarding the proposed site and neighboring areas that we require, in the form we require, and request us to consider and approve the site. Promptly following receipt of our acceptance of a site, you must negotiate a lease or purchase agreement for the site and submit a copy to us. (Area Development Agreement, Section 5.2). We will then give you execution copies of our then-current Franchise Agreement for the proposed location. You must return the signed Franchise Agreement to us within 30 days after you receive the execution copies of the Franchise Agreement. (Area Development Agreement, Section 5.2). You may not enter into any Lease for a site unless and until we have approved the site and the Lease in writing. (Franchise Agreement, Section 5.2).

You may not open your Taco Restaurant at the Franchised Location for business until you have received our written authorization, which may be subject to our satisfactory inspection of the Taco Restaurant at the Franchised Location. (Franchise Agreement, Section 5.4).

POS System; Computer Hardware and Software; Sound System; Television

You must purchase, use and maintain a computerized point of sale cash collection system (including a POS System network router, computer, cameras and DVR, back office computer and printer and other related hardware and software) for the Taco Restaurant as specified in the Manuals or by us in writing (the "POS System"). Your POS System must be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, and for ordering and maintaining the POS System. The POS System must be electronically linked to us, and you must allow us to poll the POS System on a daily or other basis at the times and in the manner established by us, with or without notice, and to retrieve transaction information including sales, sales mix, usage, and other operations data that we deem appropriate. We may require that you update, upgrade or replace the POS System, including hardware and/or software, upon written notice, provided that you will not be required to replace the POS System any more frequently than once every 3 years. Neither we nor an affiliate are obligated to provide on-going repairs, upgrades or updates to your POS System. The POS System must include the required technology to permit you to accept online orders of Chronic Tacos products and services at your Taco Restaurant and to accept and process Chronic Tacos gift cards sold in other Taco Restaurants. In addition, you must purchase, lease or license all computer hardware and software designated by us for your Taco Restaurant at your expense. During the term of your Franchise Agreement, you must maintain and update all computer hardware and software as required by us. (Franchise Agreement, Section 7.7). Currently, our integrated POS system provider is Auphan, 906 R Street N.W., Auburn, Washington 98001, Phone: (888) 618-6688. It will cost you between \$4,500 and \$12,000 to buy the POS System from Auphan and approximately \$60 to \$200 per month for maintenance and update requirements. You must upgrade the POS System if and when we instruct you to do so. We anticipate entering into an agreement with World Manager to be our only approved supplier of restaurant management software you must use at your Taco Restaurant. We expect the restaurant management software will cost you no more than \$300 per month. (Franchise Agreement, Section 7.7).

You must have a subscription to and use our approved music subscription service. Currently, CrowdTunes is our only approved music subscription service. You must pay CrowdTunes its monthly subscription fee, which is currently \$30 per month. We have the right change to music subscription services at any time upon 90 days' notice. (Franchise Agreement, Section 7.28).

You must have a subscription to and use our approved television subscription service. Currently, Atmosphere Television is our only approved television subscription service. Currently, there are no subscription fees associated with Atmosphere Television. We have the right change to television subscription services at any time upon 90 days' notice. (Franchise Agreement, Section 7.28).

Internet

We have registered the Internet domain names http://eatchronic_tacos.com/ and http://chronic_tacos.com/ and have established a site using these domain names. You acknowledge that each domain name is our sole property. You may not use in any manner, any computer medium or electronic medium (for example, any Internet home page, e-mail address, website, domain name, URL, bulletin board, newsgroup or other Internet related medium or activity) that contains our Marks, or any other words, symbols or terms confusingly similar to our Marks without our express prior written consent. We may include on our Internet web site interior pages that identify all Taco Restaurants, including your Taco Restaurant. (Franchise Agreement Sections 10.6 and 10.7).

We have the sole right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, cobranding and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Marks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of the Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify. (Franchise Agreement Sections 2.3 and 10.7).

Social Media

In order to maintain a consistent image and message and to protect the Chronic Tacos Marks and Chronic Tacos System, you must not participate or market through the use of social technology, social media such as Facebook, Instagram, Pinterest and Twitter, social networking platforms or other forms of electronic media not yet developed ("Social Media Platforms") using the Chronic Tacos Marks, or in connection with your Taco Restaurant, without our prior written consent. If you separately register any Social Media Platform account (a "Social Media Account") containing the Chronic Tacos Marks or related to your Taco Restaurant, whether with our prior consent or not: (i) you must promptly notify us and provide us with all necessary information related to the Social Media Account we require or demand, without compensation to you; and (ii) the Social Media account will become our property, without compensation to you. We will be the sole owner of all related intellectual property rights in all Social Media Accounts and all content posted on Social Media Accounts. (Franchise Agreement, Section 10.6).

WiFi Service

You must provide free WiFi service at your Taco Restaurant for use by your customers in compliance with our requirements for bandwidth included in the Manuals or other directives from us. We will control the WiFi gateway and all emails collected will be our property, with no restrictions on our use or distribution of email addresses. (Franchise Agreement, Section 10.6).

Intranet

We do not currently operate an Intranet, but may establish one in future. We reserve the right to establish an Intranet in the future through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates and other confidential information to you. If implemented, we may discontinue the Intranet at any time at our sole discretion. If implemented, you may be required to establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you and pay a fee for service. You may incur a fee for such service, which we estimate will be approximately \$10 per month. We will have sole discretion and control over all aspects of the Intranet, including the content and functionality of the Intranet. You will have the privilege, but not the right, to use the Intranet, subject to your compliance with our policies. (Franchise Agreement Section 7.20).

Chronic Tacos Advertising Fund

You must pay the greater of 2% of your Gross Sales or \$100 per week to the Chronic Tacos Advertising Fund (the "Advertising Fund") to promote and enhance the image, brand identity and patronage of Taco Restaurants. (Franchise Agreement, Section 4.3). Under the terms of the Franchise Agreement, we may, on 90 days' written notice to you, increase the amount of the Advertising Fee to no more than the greater of 3% of your Gross Sales or \$300 per week. (Franchise Agreement, Section 10.1). We will spend Advertising Fund revenue for marketing and promotional activities. The Advertising Fund may be used to pay the costs of preparing and producing associated materials and programs, including video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering regional and multi-regional marketing programs, public relations activities, web site development, Internet, Intranet and URL services and for 800 or similar numbers. We determine, at our discretion, all matters for advertising, public relations and promotional campaigns and we are not required to allocate or expend Advertising Fund contributions for the benefit of any particular franchisee or group of franchisees on a pro rata or proportional basis. (Franchise Agreement, Section 10.1.1 and 10.1.2).

No more than once a year, we will prepare an annual accounting of the Advertising Fund and upon request will distribute to our franchisees an Advertising Fund report that will state the total amount of money collected and spent by the Advertising Fund during the previous year and list, by general category, the manner in which we spent the money. The report will not be separately audited but will be examined as part of the overall annual audit of our books. Most of the money in the Advertising Fund will be spent during the year in which it was contributed. Any unused funds of the Advertising Fund will be carried over to the next year. (Franchise Agreement, Section 10.1.1). In 2023, the Advertising Fund was spent as follows: 29% on production, 62% on media placement, 4% on administrative expenses, 5% on events. We spent approximately 0% of the funds principally for the purpose of soliciting new franchisees.

Local Advertising

You must spend at least 1% of your Gross Sales each calendar quarter on local advertising and promotion of your Taco Restaurant. Under the terms of the Franchise Agreement, we may, on 30 days' written notice to you, require you to spend up to 3% of your Gross Sales each calendar quarter on local advertising and promotion of your Taco Restaurant. All advertising must meet our specifications in our Manuals. You must submit to us before use, samples of all local advertising materials, and descriptions of all local advertising programs, not prepared or previously approved by us, for our approval. You may not use any advertising

material or program or use the Chronic Tacos logo or trademarks in any public manner without our prior written approval. (Franchise Agreement, Section 10.2).

Cooperative Advertising Programs

We may, in the future, establish programs for co-operative marketing (“Cooperative Advertising Programs”) to coordinate advertising, marketing efforts and programs, to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional marketing media. If we create a Cooperative Advertising Program for a defined coverage area (a “Advertising Coverage Area”) in which your Taco Restaurant is located, you (and, if we or an affiliate own a Chronic Tacos Restaurant in the Advertising Coverage Area, then we and/or our affiliate), must become a subscriber and member of the Cooperative Advertising Program and must participate in the Cooperative Advertising Program in the manner we prescribe. The size and content of an Advertising Coverage Area will be binding upon you and all other similarly situated Chronic Tacos franchisees. Each participating Chronic Tacos franchisee will be entitled to one vote for each Taco Restaurant located within the Advertising Coverage Area as we may determine. (Franchise Agreement, Section 10.3).

You and all other members of the Advertising Coverage Area whose Franchise Agreements require their participation in the Cooperative Advertising Program, will contribute to the Cooperative Advertising Program the amounts that are determined by us and 50% or more of the participating Chronic Tacos Restaurants in the Cooperative Advertising Program (not to exceed 2% of the Gross Sales of each participating Chronic Tacos Restaurant located in the Advertising Coverage Area). (Franchise Agreement, Section 10.3.1). Any amount you must contribute to the Cooperative Advertising Program will be credited against the amount which you must spend on local advertising under your Franchise Agreement. (Franchise Agreement, Section 10.2).

We will administer the Cooperative Advertising Program and determine the policies of the Cooperative Advertising Program and the use of the available funds for media time, production of media materials, radio, television, newspapers or local marketing materials such as flyers or posters, or for any other type of advertising or marketing use. We reserve the right to establish general standards concerning the operation of the Cooperative Advertising Program, advertising agencies retained by the Cooperative Advertising Program, and marketing conducted by the Cooperative Advertising Program. Any disputes (other than pricing) arising among or between you, other Chronic Tacos franchisees, and/or the Cooperative Advertising Program will be resolved by us and our decision will be final and binding on all parties. (Franchise Agreement, Section 10.3.2).

Grand Opening Advertising and Promotion

At least 60 days before the opening of your Taco Restaurant, you must submit a Grand Opening Promotional Plan (“Grand Opening Plan”) to us which outlines your proposal for grand opening marketing and promotion of your Taco Restaurant. You must obtain our written consent to the Grand Opening Plan before you implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. You must, during the period beginning 30 days before the scheduled opening of your Taco Restaurant and continuing for 15 days after your Taco Restaurant opens for business, spend \$3,000 - \$7,000 to conduct grand opening marketing and promotion for your Taco Restaurant. Within 60 days after your opening date, you must provide us with copies of all invoices, statements, canceled checks or other forms of payment that you have issued

which evidence your expenditure and payment for the Grand Opening Plan. (Franchise Agreement, Section 10.4 and Exhibit A).

Promotional Campaigns

We may conduct promotional campaigns on a national or regional basis to promote products or marketing themes. You must participate in all promotional campaigns which we may establish for the region in which your Taco Restaurant is located. (Franchise Agreement, Section 10.5).

Franchise Advisory Council

We have formed a franchise advisory council (the “Council”) to provide advice and suggestions regarding specified matters to us. The Council will consist of Chronic Tacos franchisees selected by us (“Franchisee Members”). Franchisee Members must be in good standing and are selected from any national or international regions that we decide. The Franchisee Members are not required to be from different regions. The Council may also consist of our corporate employees and/or members of a public relations firm selected by us. The purpose of the Council is to provide constructive, open and two-way communications between Chronic Tacos franchisees and us. In particular, the Council will provide a cooperative forum for the Council members to receive and discuss information, to provide input, advice and planning regarding various limited and specified matters and to encourage each franchise owner to remain in good standing as the Chronic Tacos System grows and develops through fostering communications between Chronic Tacos franchisees and us. (Franchise Agreement, Section 6.10).

Pre-Opening Initial Training Program

We will provide a Pre-Opening Initial Training Program in the Chronic Tacos System and methods of operation at our training facilities in our corporate office or affiliate-owned Taco Restaurants currently located in Southern California and/or your Franchised Location, for up to 2 supervisory or managerial persons selected by you who must be the Principal Owner and the Restaurant Manager. Your supervisory and managerial personnel must attend and complete the Pre-Opening Initial Training Program to our satisfaction. If the Taco Restaurant is the first Taco Restaurant to be operated by you, we will provide training, instructors, a training manual, and other materials at no charge to your supervisory and managerial personnel. The Pre-Opening Initial Training Program will consist of approximately 3-4 weeks of training at our training facilities and 2-3 weeks at the Franchised Location prior to the opening of your first Taco Restaurant that must be completed before the Taco Restaurant Opens for business. We will not be obligated to provide any initial training or the Pre-Opening Initial Training Program to you if you, your affiliates or Owners own a Taco Restaurant upon signing the Franchise Agreement or if the Franchise Agreement is signed as a renewal Franchise Agreement. However, we may, upon your request, and if we choose and believe it is necessary, provide you and/or your supervisory and managerial personnel with 1-2 weeks of training in such circumstances. You must pay all travel, lodging, compensation, and other expenses incurred by you and your supervisory and managerial personnel to attend the Pre-Opening Initial Training Program. (Franchise Agreement, Section 6.1).

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
ServeSafe	8	0	Affiliate-owned Taco Restaurants (Costa Mesa,

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
			CA, Riverside, CA, Huntington Beach, CA or Dana Point, CA) or your Taco Restaurant or virtual communication platform
Prep	2	33	Affiliate-owned Taco Restaurants (Costa Mesa, CA, Riverside, CA, Huntington Beach, CA or Dana Point, CA) or your Taco Restaurant or virtual communication platform
Cooking	2	31	Affiliate-owned Taco Restaurants (Costa Mesa, CA, Riverside, CA, Huntington Beach, CA or Dana Point, CA) or your Taco Restaurant or virtual communication platform
Serving	2	41	Affiliate-owned Taco Restaurants (Costa Mesa, CA, Riverside, CA, Huntington Beach, CA or Dana Point, CA) or your Taco Restaurant or virtual communication platform
Cashier	2	9	Affiliate-owned Taco Restaurants (Costa Mesa, CA, Riverside, CA, Huntington Beach, CA or Dana Point, CA) or your Taco Restaurant or virtual communication platform
Management Procedures	25	43	Affiliate-owned Taco Restaurants (Costa Mesa, CA, Riverside, CA, Huntington Beach, CA or Dana Point, CA) or your Taco Restaurant or virtual communication platform
Advertising	2	0	Affiliate-owned Taco Restaurants (Costa Mesa, CA, Riverside, CA, Huntington Beach, CA or Dana Point, CA) or your Taco Restaurant or virtual communication platform
TOTAL	43	157	

The entire training program consists of 3 - 4 weeks of pre-opening training at our headquarters or affiliate-owned Taco Restaurants and 2 - 3 weeks of hands-on training at your Taco Restaurant. Training will be conducted as often as necessary to ensure that franchisees complete training before their Taco Restaurant opens. The primary instructional material for the Pre-Opening Initial Training Program will be the Manuals and Video. There will be no additional charge for training materials. The Pre-Opening Initial Training Program will be supervised by Jennifer Lewis who has 10 years of experience with us and in the subjects taught as well as 15 years in the restaurant industry and Timika Hogan who has 13 years of experience with us and in the subjects taught as well as 25 years in the restaurant industry.

Your Principal Owner and Restaurant Manager or other supervisory or managerial personnel must faithfully attend all phases of the Pre-Opening Initial Training Program and complete it to our satisfaction, as certified by us in writing. Your failure to successfully complete any aspect of the Pre-Opening Initial Training Program, as we determine at our sole discretion, constitutes grounds for termination of your Franchise Agreement. (Franchise Agreement, Section 7.2). We may allow you to retake the Pre-Opening Initial Training Program at our sole discretion. You must pay expenses of travel, lodging, meals and wages incurred by you and your supervisory and managerial personnel while attending any of our training programs.

Post-Opening On-Site Assistance

For your first Taco Restaurant, we will provide a 2-person on-site training and assistance to your supervisory or managerial staff for up to 1 week before and 2 weeks after your Taco Restaurant opens for business. We will not provide any on-site assistance for your second and subsequent Taco Restaurants. We will select the representatives providing the on-site training and we may vary the length of time that on-site training is provided. (Franchise Agreement, Section 6.4). You must notify us at least 30 days in advance of the scheduled date (the "Turnover Date") that (i) all construction and remodeling of the Franchised Location will be completed; (ii) Franchisee will have all permits necessary to open the Taco Restaurant; and (iii) the Taco Restaurant will be ready for turn-over to you by the general contractor, to allow us to schedule a date for our on-site opening assistance for your first Taco Restaurant. We will provide you with a turnover checklist approximately 14 days before the scheduled Turnover Date and will schedule a conference call with you approximately 8 days before the scheduled Turnover Date to confirm the Turnover Date so that we can book travel arrangements for our representatives who will provide the on-site opening assistance. Approximately 3 days before the scheduled Turnover Date, we will schedule a final conference call with you to confirm the Turnover Date and the date on which our representatives will arrive at your Taco Restaurant. If, after the final conference call, the Turnover Date is delayed or accelerated by more than 2 days from the date specified during the conference call, you must reimburse us for any and all costs and expenses we incur to change the travel arrangements for our representatives who were scheduled to provide post-opening on-site opening assistance. If we provide on-site training for longer than 10 days, we have the right to require you to pay us our then-current daily training fee and/or to reimburse us for our out-of-pocket expenses that we incur to provide the additional days of assistance, including transportation, food and lodging. (Franchise Agreement, Sections 6.4, 7.3).

Post-Opening Additional Initial Training Programs

If, following the opening date of your Taco Restaurant, you request us to provide additional Initial Training Programs for new or replacement supervisory or managerial personnel and we agree to do so, and the additional Initial Training lasts for more than 1 week, you shall pay us our then-current Daily Fee for each of our representatives that provides the training to defray our direct costs to provide the additional Post-Opening Additional Initial Training Programs. You must also pay all transportation costs, food, lodging and similar expenses incurred in connection with your employees' attendance at the Post-Opening Additional Initial Training Programs. (Franchise Agreement, Section 7.4).

Post-Opening Additional Training Program

At our discretion, we may require you, your Principal Owner, Restaurant Manager and/or other supervisory or managerial personnel to attend additional and remedial training programs ("Post-Opening Additional Training Programs") from time to time. If we provide you with any Post-Opening Additional Training Programs and the training last for more than 1 week, you must pay us our then-current Daily Fee each of our representatives that provides the Post-Opening Additional Training Programs to defray our direct costs of providing the Post-Opening Additional Training Programs. (Franchise Agreement, Sections 6.3 and 7.5). In addition, you must pay all transportation costs, food, lodging and similar costs incurred in connection with your and their attendance at the Post-Opening Additional Training Programs. (Franchise Agreement, Section 7.5).

Virtual Training and Assistance.

We may provide all or any portions of the Pre-Opening Initial Training Program, Post-Opening Additional Initial Training Programs, Additional Training Programs, post-opening on-site opening assistance and/or post-opening consultations remotely over a virtual communication platform designated by us.

Annual Franchisee Conference

We may hold an Annual Franchisee Conference for all Chronic Tacos franchisees each year. Your Principal Owner and each Restaurant Manager must attend the Annual Franchisee Conference. You must pay us a Franchise Conference Fee of \$500 per person to reimburse us for a portion of the direct costs to provide the Annual Franchisee Conference. You must pay the Franchise Conference Fee upon demand at least 30 days before the date of the Annual Franchisee Conference, whether or not you attend the Annual Franchisee Conference. (Franchise Agreement, Section 7.25).

ITEM 12 TERRITORY

Franchise Agreement

You will be permitted to operate your Taco Restaurant at a specific location which we accept, as described in the Franchise Agreement (Exhibit B). You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. During the initial term of your Franchise Agreement, provided you are not in default under your Franchise Agreement, we will not own, operate, sell or issue a franchise for any other Taco Restaurant within 2 miles of your Taco Restaurant ("Protected Area"). There are no other radius restrictions or minimum population requirements that limit where we can franchise or operate another Chronic Tacos Restaurant. Our acceptance of your Franchised Location will be based upon a variety of factors which may include the viability of the then-current location and demographics including, number of households, household income, vehicular traffic, and number of Taco Restaurants near the proposed new location. You may face competition from other Taco Restaurants that we or our affiliates franchise or own and that operate at traditional sites outside your Protected Area. Also, you may face competition from other channels of distribution or competitive brands we control. Except as described above, you are not granted a minimum territory.

We expressly reserve the exclusive, unrestricted right, at our sole and absolute discretion, directly and indirectly to: (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Taco Restaurants outside the Protected Area, regardless of their proximity to your Taco Restaurant; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including a restaurant business, other than a "Competitive Business," under marks and systems different from the Marks and the Chronic Tacos System within and outside the Protected Area; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Chronic Tacos Branded Products within and outside the Protected Area, through the Internet, mail order catalogs, direct mail advertising, catering and through other distribution methods; (iv) market on the Internet and use the Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) deliver and cater and/or to license to other Taco Restaurants or third parties to deliver and cater at any location within or outside of your Protected Area without compensation to you, and to establish a delivery

and catering policy in the future which may restrict the delivery and catering jurisdiction of any Chronic Tacos franchisee; (vi) develop, own or operate and to grant licenses or franchises to third parties to develop, own or operate Chronic Tacos Restaurants at “Non-Traditional Venues” within and outside of the Protected Area regardless of their proximity to the Taco Restaurant; (vii) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Chronic Tacos Restaurants and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (viii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Chronic Tacos Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (ix) engage in all other activities that the Franchise Agreement does not expressly prohibit. We are not required to pay you any compensation if we exercise any of the rights specified above inside your Protected Area.

“Competitive Business” means any restaurant business which prepares, offers and sells Mexican food products as a primary menu item and any restaurant business which looks like, copies, imitates, or operates with similar trade dress or décor to a Chronic Tacos Restaurant. “Non-Traditional Venues” means a broad variety of atypical sites, including, without limitation, a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings such as office buildings, business complexes, arenas, stadiums and entertainment venues, recreational facilities, beaches, parks, airports, train and bus stations, travel plazas, toll road facilities and other transportation terminals, food service fulfillment centers, educational, medical, governmental and other types of institutional facilities, sites in retail locations (for example, a kiosk within a grocery store), cafeterias and casinos, and any site for which the lessor, owner or operator limits the operation of its beverages and/or food service facilities to a master concessionaire or contract food service provider.

No restrictions exist on us or any of our franchisees as to the areas (including those outside their Protected Areas) from which they may solicit or accept business and we and all of our franchisees are free to advertise or solicit business from any area desired, subject to the general controls on advertising contained in the Franchise Agreement. Under the Franchise Agreement, continuation of your location rights does not depend upon the volume of sales generated or on your penetration of the market potential. You do not have the right to acquire additional franchises, options, rights of first refusal or similar rights to acquire additional franchises, although you may apply for the right to operate additional Taco Restaurants under separate Franchise Agreements.

Unless you offer catering services from your Taco Restaurant, you are not permitted to use and display the Marks or use the System at any location other than the Franchised Location, nor do you have the right to use other channels of distribution to make sales outside your Franchised Location. Other than the rights granted under your Protected Area, you do not have any right to exclude, control, or impose conditions on the location or development of any Taco Restaurant, other restaurant, store or any other method of distribution under the Chronic Tacos trademark or any other trademark.

We may, but are not required to, allow you to offer, sell or provide delivery services or catering services in your Protected Area, including in contiguous areas that we may from time to time expressly authorize in writing, only if, and for so long, as we may consent in writing, which may be granted or denied in our sole discretion and be subject to such terms and conditions that we may establish, which may include restrictions regarding the types of products and services you may offer and the geographic area in which you may provide delivery and/or catering services. You must follow our off-site policies and procedures in our

Manuals, which may allow you or third parties to provide catering and delivery services in the protected areas of other Taco Restaurants without compensating the operator of those Restaurants. These policies may require you to provide catering and delivery services and/or utilize third-party delivery services. You may be required to use the third-party delivery service(s) with which we have a national contract, and you may not contract with any other delivery platform without our written approval. We reserve the right to establish a non-exclusive delivery system such as call-ahead, internet-order, mobile application or similar program in which case you agree to participate and pay all fees and charges we, our affiliate or designated supplier incurs for your participation. These policies may allow other Taco Restaurants or third parties to provide catering and delivery services in your Protected Area without compensating you. We may impose restrictions in the future that prevent you from providing catering and delivery services outside of your Protected Area.

You may not relocate your Taco Restaurant to any other location during the term of the Franchise Agreement without our prior written consent. Our consent, which will not be unreasonably withheld, will be conditioned on the occurrence of one or more of the following circumstances: (i) the population or demographics in your Protected Area have changed substantially since the opening date of your Taco Restaurant; (ii) your Taco Restaurant has suffered irreparable damage or destruction and cannot be repaired within 60 days; or (iii) any other condition leading you and us to believe that continued operation of your Taco Restaurant at the Franchised Location will not be profitable. You must submit to us in writing the materials we require to consider your request, including information concerning the proposed new location for your Taco Restaurant, and you must pay us a Relocation Fee when you request our consent to a relocation of your Taco Restaurant.

Area Development Agreement

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

Under the Area Development Agreement, we grant you the right to develop and operate a specified number of Taco Restaurants at venues in a specified Development Area, subject to our approval. The Development Area may be one or more cities, counties, states, or some other defined area. During the term of the Area Development Agreement, we will not operate or grant a license or franchise to any other person to operate a Taco Restaurant in your Development Area. We will determine or approve the location of each Taco Restaurant and the Protected Area under the Franchise Agreement at the time each Franchise Agreement is signed, and our then-current standards for approving sites and determining Protected Areas will apply.

We expressly reserve the exclusive, unrestricted right, at our sole and absolute discretion, directly and indirectly to: (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Taco Restaurants outside the Development Area, regardless of their proximity to the Development Area; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including a restaurant business, other than a competitive business, under marks and systems different from the Chronic Tacos Marks and the Chronic Tacos System within and outside the Development Area; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Chronic Tacos Branded Products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; (iv) market on the Internet and use the Chronic Tacos Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) open or operate and to franchise or license others to open or operate

Chronic Tacos Restaurants at any Non-Traditional Venue within and outside of the Development Area regardless of their proximity to any Taco Restaurants developed or under development by Area Developer; (vi) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Chronic Tacos Restaurants or franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (vii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Chronic Tacos Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (viii) engage in all other activities that the Area Development Agreement does not expressly prohibit. We are not required to pay you any compensation if we exercise any of the rights specified above.

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, or commit a material breach of any Franchise Agreement signed by you under the Area Development Agreement, or a material breach of any other agreement between you and us, we may terminate your right to develop, open and operate new Taco Restaurants in the Development Area. The termination of your right to develop Taco Restaurants in your Development Area, however, will not terminate any rights granted under the Franchise Agreements then in effect between you and us, absent a breach of the Franchise Agreement itself. After the expiration of the term of your Area Development Agreement, we may own, operate, franchise or license others to operate additional restaurants anywhere, without restriction, including in your Development Area, subject only to the territorial rights reserved to you in the individual Franchise Agreements.

Upon the termination or expiration of the Area Development Agreement; (i) you will have no further right to develop additional Taco Restaurants in the Development Area and no further rights or obligations under the Area Development Agreement; (ii) you will have the right to continue to own and operate all Taco Restaurants you opened prior to the expiration date under Franchise Agreements with us that remain in full force and effect on the expiration date; and (iii) we may, but are not required to, develop, own and operate, and grant franchises to third parties to develop, own and operate Chronic Tacos Restaurants at any location within or outside of the Development Area, without restriction, subject only to the territorial rights that are granted to you under your Franchise Agreements for your Taco Restaurants in the Development Area.

You are not granted any options, rights of first refusal or similar rights to acquire additional franchises within the Development Area. If you wish to further develop Taco Restaurants in the Development Area, you must notify us in writing within 180 days before the expiration of your Area Development Agreement. If we believe that the renewal development obligation proposed by you is acceptable, we will deliver our then-current Area Development Agreement to you. If the proposed additional development obligation is not acceptable to us, we will agree to negotiate with you in good faith for 60 days to try to agree upon a mutually acceptable development schedule. If you do not exercise your right to sign a new Area Development Agreement, we may own, operate, franchise or license others to operate additional Taco Restaurants in your Development Area subject only to the territorial rights reserved to you in the individual Franchise Agreements.

We have not established other franchises or affiliate-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

Except for any other franchise program that we may develop in the future, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or affiliate-owned facilities which provide similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

**ITEM 13
TRADEMARKS**

As a Franchisee, you are licensed to use and display the trade name Chronic Tacos, and the marks using it, during the term of your Franchise Agreement and only for the operation of the Taco Restaurant and the sale of products described on the Chronic Tacos standard menu. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us or our affiliates. We or our affiliates are the owner of all rights, titles and interests in the trade names, trademarks (the "Marks") and service marks and have received registration of the following marks on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"):

Mark	Registration	Registration Date
CHRONIC TACOS	3,317,453	10/23/07 Renewed: 1/4/17
CHRONIC TACOS	6,949,304	1/10/23
LIVE THE TACO LIFE	4,743,497	05/26/15
TACO LIFE	4,755,042	06/16/15
	4,854,417	11/17/15
	4,854,418	11/17/15
BOWL-RITO	5,035,377	09/06/16
TACO LIFE	7,246,591	12/19/23

We or our affiliates have also registered the following Mark on the Supplemental Register of the USPTO:

Mark	Registration Number	Registration Date
WORLD'S GREATEST TACO BAR	4,449,287	12/10/13

We also claim common law rights to the trade and service marks we license to you. We or our affiliates have filed all required affidavits.

There are no agreements currently in effect or contemplated which would significantly limit our right to use or license the use of our Marks in any manner. There are no currently effective material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any opposition or cancellation proceeding, or any pending litigation involving the trade name Chronic Tacos or the licensed marks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the principal trademarks that are material to the franchise, nor are there any prior superior rights or infringing uses actually known to us that could materially affect your use of the licensed trade name, trademarks, or service marks. We have not, however, conducted an exhaustive search of users of names which may be the same or similar to our Marks. We are not aware of anyone other than our Affiliates or franchisees who are using "Chronic Tacos," as a trademark or service mark. There may be similar uses to our Marks of which we are unaware, which could arise from prior users.

You must use the trade name Chronic Tacos without any suffix or prefix attached to it to identify the Taco Restaurant. If the franchisee is an entity, you may not use the Chronic Tacos Marks, or our trade name, or any words or symbols which are confusingly phonetically or visually similar to the Chronic Tacos Marks, as all or part of the franchisee's name. You must obtain a fictitious or assumed business name registration as we require or under applicable law. You must identify yourself as the owner of your Chronic Tacos Restaurant by placing your name on all checks, invoices, receipts, contracts, stationary and other documents that bear the Chronic Tacos trade name, trademarks, or service marks.

You must notify us of any infringement of, challenge to, or unauthorized use of the licensed name or Marks which comes to your attention, including any claim, suit or demand against you. We may take actions we deem appropriate to protect our name or Marks but we are not obligated by the Franchise Agreement to do so.

We have the sole right to control any litigation involving our trade name or Marks and to compromise or settle any claim, at our discretion, at our sole cost and expense, using lawyers of our own choosing, and you must cooperate fully in defending any claim, and you may participate at your own expense in the defense or settlement. You may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without our prior written consent. You agree in the Franchise Agreement not to contest, directly or indirectly, our ownership, right, title, or interest in its names or Marks, or contest our sole right to register, use, or license others to use those names and Marks.

We may add to, delete, or modify any or all of the Marks. You must modify or discontinue the use of a Mark, at your expense, if we modify or discontinue it. We will not compensate you if we modify or discontinue the Marks.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any rights in or to any patents. There are no pending patent or copyright applications that are material to the franchise. We have no registered copyrights, but we claim copyright protection for the Manuals and all advertising material that may be distributed by us. We will loan you one copy of the Manuals for confidential use in the Taco Restaurant. You may not disclose, publish, sell, show, or reproduce the Manuals and you must return the Manuals to us intact upon termination or expiration of the Franchise Agreement or Area Development Agreement.

We regard our recipes, our particular method of producing our menu items and food products and operating a Mexican-style restaurant, and all the information contained in the Manuals, as proprietary information owned by us. You agree, as part of the Franchise Agreement, not to contest our exclusive ownership of the copyrights, trade secrets, recipes, processes, methods, procedures, formulae, techniques, and other proprietary information to which we claim exclusive rights. You are not given any rights in other trade secrets or proprietary or confidential information developed by us in the future. You must implement any reasonable procedures we may adopt to protect our trade secrets including restrictions on disclosures to your employees and requiring employees who will have access to our trade secrets to sign employment agreements containing non-disclosure and non-competition provisions.

There are no prior superior rights or infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned copyrights in any manner.

All ideas, concepts, techniques or materials created by you while you are a Chronic Tacos franchisee, whether or not protectable intellectual property, must be promptly disclosed to us and will become our exclusive property and a part of the Chronic Tacos franchise system as a work made for hire for us without compensation to you.

All data pertaining to your Taco Restaurant and all data you create or collect in connection with your operation of the Taco Restaurant, including, data pertaining to, or otherwise concerning, the Taco Restaurant's customers, or that you otherwise collect including data uploaded to, or downloaded from your computer system is Chronic Tacos data and is our sole property. We have the right to review and use the Chronic Tacos data in any manner that we deem appropriate without any compensation to you. You just provide us with copies and/or originals of the Chronic Tacos data within 5 days after our request for the Chronic Tacos data at no cost to us and at any time during the term of your Franchise Agreement and upon the expiration and/or termination of your Franchise Agreement. We license the use of the Chronic Tacos data to you during the term of your Franchise Agreement, at no cost to you, solely for your use in the operation of your Taco Restaurant. You must maintain the Chronic Tacos data as secret and confidential must not make any of the Chronic Tacos data available to any unauthorized person without our prior written consent of and then only in the manner we permit.

The goodwill associated with all phone and fax numbers, email addresses, domain names, social media and other Internet addresses used in operation of the Taco Restaurant is an asset that belongs to us. Upon cancellation, termination or expiration of the Franchise Agreement, you will be deemed to have assigned to us or our designee all right, title and interest in and to these and/or services associated with the same. You must sign the instruments we request to confirm the assignments and transfers to us.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate a Principal Owner acceptable to us who will be involved in the day-to-day operations of the Taco Restaurant. Your Principal Owner must own a minimum of a 10% ownership interest in Franchisee and must devote his or her full time to the Taco Restaurant. You must also designate a Restaurant Manager who will be the individual responsible for your Taco Restaurant in the absence of the Principal Owner. Your Restaurant Manager does not have to own an equity interest in you or the franchise. Your Taco Restaurant must, at all times, be directly supervised by the Principal Owner or a Restaurant Manager or other

supervisory or managerial personnel who have successfully completed our Pre-Opening Initial Training Program. You must provide comprehensive initial training programs, additional training programs and remedial training programs for your other employees and ensure that your Taco Restaurant is at all times under the direct control of the Principal Owner or a Restaurant Manager and other employees fully trained by you. We may require each of your owners, Restaurant Managers and other supervisory and managerial personnel who will have access to any confidential information to sign a Confidentiality and Non-Disclosure Agreement in substantially the form of Exhibit J. None of the provisions in the Confidentiality and Non-Disclosure Agreement are intended to prohibit or restrict any activity which prohibition or restriction violates your employees' rights to engage in protected concerted activity under the National Labor Relations Act.

If you are an entity, all present and future Owners of the equity or your voting rights, including spouses (and family members who live in the same household, excluding minor children) must execute a written guarantee in a form we prescribe, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of your obligations to us and to our Affiliates. Upon each transfer or assignment of your interest in the Franchise Agreement, or other change in your ownership interests, and at any other time we request, these holders must re-execute a written guarantee in a form we prescribe.

All employees you hire or employ at your Taco Restaurant will be your employees and your employees alone, and will not, for any purpose, be deemed to be our employees or subject to our direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. You will file your own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers' compensation insurance payments for your employees and operations. We will not have the power to hire or fire your employees. Our authority under the Franchise Agreement to train and approve your supervisory or managerial personnel for qualification to perform certain functions at your Taco Restaurant does not directly or indirectly vest us with the power to hire, fire or control any of your personnel. You and you alone will be solely responsible for all hiring and employment decisions and functions relating to the Taco Restaurant, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from us on these subjects or not. Any guidance we may give you regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies, and should do so in consultation with local legal counsel experienced in employment law.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Except as described below, you must offer and sell all, and only, those goods and services that we approve (See Item 8). We may add, delete, and change menu items that you may or must offer, at our unrestricted discretion, and this may require you to purchase additional equipment. There are no limits on our right to make changes. The Taco Restaurant must, at all times, be directly supervised by a Restaurant Manager who has successfully completed our training program. You may not operate any co-branding system without our prior written consent, which may be withheld unless we recognize the co-branding chain as an approved co-brand for operation within Taco Restaurants. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by another franchisor that is featured or incorporated within the Franchised Location or is adjacent to the Franchised Location and is operated in a manner likely to cause the public to perceive that it is related to your Taco Restaurant.

We may, on occasion, require you to test market products and/or services at your Taco Restaurant. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations established by us.

No vending, gaming machines, payphones, automatic teller machines, Internet kiosks or other mechanical or electrical devices are permitted in your Taco Restaurant without our prior written consent.

Unless you offer catering services from your Taco Restaurant, you are not permitted to use or display the Marks or use the System at any location other than the Franchised Location, nor do you have the right to use other channels of distribution to make sales outside of your Franchised Location. Please see Item 12.

You cannot sell Authorized Chronic Taco Products on the Internet, establish an account, or participate in any social networking sites, crowdfunding campaigns or blogs or mention or discuss the Chronic Tacos franchise system, us or any of our affiliates, without our prior approval.

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.

FRANCHISE AGREEMENT

Provision	Section in Franchise Agreement (Exhibit A)	Summary
a. Length of the term of the franchise	Sections 3.1	10 years

Provision	Section in Franchise Agreement (Exhibit A)	Summary
b. Renewal or extension of the term	Section 3.2	10 years
c. Requirements for Franchisee to renew or extend	Section 3.3	You must have complied with your obligations during the term of your Franchise Agreement; at our request, renovate or modernize your Taco Restaurant to comply with our then-current standards for a new Taco Restaurant; not have committed 3 or more material Defaults during any 18 month period during the Term; sign our then-current form of Franchise Agreement that may contain terms and conditions materially different from those in your original Franchise Agreement; satisfy our then-current training requirements; pay a renewal fee and sign a general release (subject to applicable state law). Your continuing royalty and advertising fee payments under your renewal Franchise Agreement will be at the rates then applicable to new franchisees.
d. Termination by Franchisee	Section 16.9	Subject to state law, you may terminate the Franchise Agreement due to a material default by us which is not cured by us within 60 days after we receive written notice from you of the alleged default. If the default cannot reasonably be cured in that 60 day period, we will not be in default under the Franchise Agreement if we commence to cure the default within 60 days and diligently continue to prosecute the same to completion.
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	Sections 16.1 – 16.3 and 16.5	We can terminate the Franchise Agreement if you materially default under your Franchise Agreement, any other individual Franchise Agreement, any Area Development Agreement (other than solely for your failure to meet your development obligation), or any other agreement between you and us (subject to state law).
g. "Cause" defined – curable defaults	Section 16.3	You have 5 days to cure non-payment of fees and 10 days to cure non-compliance with laws and defaults not listed in Section 16.2 (subject to state law).
h. "Cause" defined non-curable defaults	Sections 16.1 and 16.2	Non curable defaults include: bankruptcy, foreclosure, and insolvency; abandonment; unapproved transfers; repeated defaults, even if cured; misrepresentations in acquiring your license; health or safety violations; trademark misuse; conviction of a felony; failure, for a period of 10 days after notification of noncompliance, to comply with any state or local law or regulation applicable to the operation of the Taco Restaurant; failure to pay any amounts overdue; failure to meet site selection requirements, enter a lease or Open for business within applicable time period;

Provision	Section in Franchise Agreement (Exhibit A)	Summary
		<p>knowingly maintaining false books or records or submitting false reports or knowingly underreporting gross sales; materially misusing the Marks; making an unauthorized use of the trade secrets or confidential information; failing to purchase appropriate inventory; sell or attempt to sell any products other than Authorized Products and fail to cease to do so within 3 days of notice to cease sales; purchasing or purport to purchase products from non-approved suppliers; failure to make timely payments on funds we have advanced on your behalf or on any amounts we guarantee on your behalf; default upon or breach of the provisions of any promissory note or indebtedness or agreement relating to the Franchise Agreement; use of abusive language with your employees or customers; denigration of the System or unflattering portrayal of us on the Internet or otherwise; and a breach of your obligations under the Franchise Agreement or other Agreement between you and us that is not capable of being cured by you; an approved assignment is not effected within the time provided following your death of permanent incapacity; failing to comply with the covenants in Article 15 or failing to deliver the executed covenants required under Section 11.5 or Section 15.6 to us; failing to successfully complete the Initial Training Program; failing to obtain or maintain the required insurance coverage; if you default in the repayment or performance of any obligation or financing truncation with third parties under which your performance is secured by this franchise, the Franchised Location or any asset of the Taco Restaurant; if you or any of your owners use abusive language when communicating to us, our staff, customers or denigrates the Chronic Tacos System or portrays it in an unflattering light on the Internet or otherwise; if you fail to sell and offer for sale all and only authorized services and merchandise required by us after receiving a Notice of Default from us or you fail to discontinue selling and offering for sale any services or merchandise that we may disapprove in writing at any time, within 10 days after your receipt of written notice from us to do so; and if you fail to respond to all communications from us in a timely manner; failure to obtain promised funding within 10 days of signing the Franchise Agreement; engaging in fraudulent, dishonest, unethical, immoral or similar conduct in connection with your operation of the Taco Restaurant; and engaging in any lewd or immoral conduct whether or not in connection with your operation of the Taco Restaurant (subject to state law).</p>

Provision	Section in Franchise Agreement (Exhibit A)	Summary
i. Franchisee's obligations on termination/nonrenewal	Sections 17.1, 17.2, 17.4, 17.7 and 17.8	You must cease use of our trademarks, de-identify the Taco Restaurant, pay all amounts due to us, and return the Manuals. We may, at our option, assume all Electronic Communications and Media for the Taco Restaurant. You must, at our option, cancel or assign to us your rights to any Electronic Communications and Media or assumed, fictitious or corporate names which contain our Marks. See also "r" below.
j. Assignment of contract by Franchisor	Section 14.1	No restriction on our right to assign.
k. "Transfer" by Franchisee - definition	Section 14.2	Includes transfer of the agreement or change in ownership of the business entity which owns it.
l. Franchisor's approval of transfer by Franchisee	Section 14.2	Transfers require our prior written consent, which will not be unreasonably withheld.
m. Conditions for Franchisor's approval of transfer	Sections 14.2-14.4	<p>The proposed transferee must qualify, successfully complete our initial training program, sign our then-current Franchise Agreement (provided, that the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement) and you must be in good standing, sign a general release (subject to applicable state law) and pay the transfer fee. See also "r" below.</p> <p>If the Franchise Agreement has been signed under an Area Development Agreement, except as described below, you must concurrently assign all other existing Franchise Agreements to the same assignee.</p>
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 14.3	We can match any offer for your business.
o. Franchisor's option to purchase Franchisee's business	Section 17.5	When your Franchise Agreement expires or is terminated, we have the option to purchase the assets of the Taco Restaurant and all of your assets related to the Taco Restaurant.
p. Death or disability of Franchisee	Section 14.5	Your spouse, heirs or personal representative has 180 days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions.
q. Non-competition covenants during the term of the franchise	Section 15.1	Subject to state law, you are prohibited from: diverting any present or prospective Chronic Tacos customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the Chronic Tacos Marks and the Chronic Tacos

Provision	Section in Franchise Agreement (Exhibit A)	Summary
		System, or (ii) owning or having any interest in a competitive business to the Chronic Tacos business.
r. Non-competition covenants after the franchise is terminated or expires	Sections 15.2 and 15.3	Subject to state law, for 2 years following the expiration or termination of your Franchise Agreement, you cannot own or have any interest in a competitive business located at the Franchised Location or within 20 miles of any Taco Restaurant or the Franchised Location. If you violate the post-term covenant not to compete, you must pay us, throughout the 2 year period following the termination, transfer, or expiration of your Franchise Agreement, 6% of the gross revenue of any business which provides similar services or products at the Franchised Location or any site within 20 miles of any Taco Restaurant or the Franchised Location.
s. Modification of the agreement	Section 6.5	The Manuals are subject to change. You must comply with any changes set forth in the Manuals.
t. Integration/ merger clause	Section 21.5	Only the terms of the Franchise Agreement and its exhibits are binding (subject to applicable state law). Nothing in the Franchise Agreement is intended to disclaim the representations made in the Disclosure Document.
u. Dispute resolution by arbitration or mediation	None	
v. Choice of forum	Section 19.1	All proceedings will be held in Orange County, California, subject to applicable state law. See the State Specific Addenda (Exhibit F) attached to this Disclosure Document.
w. Choice of law	Section 19.1	California, subject to the exception provided in Section 19.1 of the Franchise Agreement and applicable state law. See the State Specific Addenda (Exhibit F) attached to this Disclosure Document.

AREA DEVELOPMENT AGREEMENT

Provision	Section in Area Development Agreement (Exhibit B)	Summary
a. Length of the term of the Area Development	Section 3.1	5 years

Provision	Section in Area Development Agreement (Exhibit B)	Summary
b. Renewal or extension of the term	Section 3.2	5 years
c. Requirements for Area Developer to renew or extend	Section 3.4	You must sign our then-current Area Development Agreement, which will contain your additional development obligations during the renewal term; you must sign a general release (subject to applicable state law); you may be asked to sign a Franchise Agreement that contains terms and conditions materially different from those in your previous agreements; you must have fulfilled all of your obligations under the Area Development Agreement; you must demonstrate your financial ability to implement and complete your renewal development obligations; you must pay the renewal fee.
d. Termination by Area Developer	Not Applicable	Subject to state law.
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with "cause"	Section 11.1	We can terminate if you default under your Area Development Agreement, an individual Franchise Agreement, or any other agreement between you or your affiliate and us (subject to state law).
g. "Cause" defined - curable defaults	Section 11.3	You have 30 days to cure defaults under your Area Development Agreement, and in the case of a breach or default in the performance of your obligations under any Franchise Agreement or other agreement between you and us, the notice and cure provisions of the Franchise Agreement or other agreement will control (subject to state law).
h. "Cause" defined –non-curable defaults	Sections 11.1 and 11.2	Non-curable defaults include: bankruptcy, insolvency; unapproved transfers; failure to meet your development obligations; any breach of the covenants not to compete set forth in Section 13; repeated defaults, even if cured; unapproved transfers; termination of any of your Franchise Agreements; conviction of a felony; disclosure of confidential information; a breach of your obligations under the Area Development Agreement or other agreement between you and us that is not capable of being cured by you; failure to obtain promised funding within 10 days of signing the Area Development Agreement; engaging in fraudulent, dishonest, unethical, immoral or similar conduct in connection with your development of the Taco Restaurants; and engaging in any lewd or immoral conduct whether or not in connection with your development of the Taco Restaurants (subject to state law).
i. Area Developer's obligation on termination/non-renewal	Section 12.1	You will have no further right to develop or operate additional Taco Restaurants which are not, at the time of termination, the subject of a then validly existing Franchise Agreement between you and us. You may continue to own and operate all Taco Restaurants under then validly existing Franchise Agreements.

Provision	Section in Area Development Agreement (Exhibit B)	Summary
j. Assignment of contract by Franchisor	Section 9.1	No restrictions on our right to assign.
k. "Transfer" by Area Developer – defined	Section 9.2	Includes transfer of the agreement or changes in ownership of the business entity which owns it. No shares of an Area Developer which is a business entity may be offered for sale through the public offering of securities. Shares may be offered by private offering with our prior written consent.
l. Franchisor's approval of transfer by Area Developer	Section 9.2.1	Transfers require our prior written consent, which will not be unreasonably withheld.
m. Conditions for Franchisor's approval of transfer	Sections 9.2.1 and 9.4	<p>Except as described below, you may not transfer any Franchise Agreement signed under the Area Development Agreement except with our written consent and a simultaneous assignment of the Area Development Agreement and all of the Franchise Agreements signed under the Area Development Agreement to the same assignee.</p> <p>The proposed buyer must sign our then-current form of Franchise Agreement for each of your Taco Restaurants then developed or under development. The proposed transferee must qualify as a franchisee and sign our then-current Area Development Agreement and you must be in good standing, sign a general release (subject to applicable state law) and pay the transfer fee. See also "r" below.</p>
n. Franchisor's right of first refusal to acquire Area Developer's business	Section 9.3	We may match any offer to purchase your business.
o. Franchisor's option to purchase Area Developer's business	Sections 9.1.1 and 9.1.2	Upon the occurrence of a merger, acquisition, refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring (collectively, a "Capital Event"), we will have the right to compel you to sell the assets of any or all of your Taco Restaurant at the same value attributable to Taco Restaurants owned and operated by us or our affiliates at the close of the Capital Event.
p. Death or disability of Area Developer	Section 9.5	Your spouse, heirs or personal representative has 180 days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions.
q. Non-competition covenants during the term of the franchise	Section 13.1	Subject to state law, you are prohibited from: (i) diverting any present or prospective Chronic Tacos customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the Chronic Tacos Marks and the Chronic Tacos System, or (ii) owning or having any interest in a competitive business to the Chronic Tacos business.
r. Non-competition covenants after the franchise is terminated or expires	Section 13.2	Subject to state law, for 2 years following the expiration or termination of your Franchise Agreement, you cannot own or have any interest in a competitive business at a Franchised Location, except under another effective Franchise Agreement with us, or any location within 20 miles of any Taco Restaurant or a Franchised Location.

Provision	Section in Area Development Agreement (Exhibit B)	Summary
s. Modification of the Area Development Agreement	Section 18.5	The Area Development Agreement can be modified or amended only by written agreement of all of the parties.
t. Integration/merger clause	Section 18.5	All agreements between the parties are in the Area Development Agreement and its exhibits. (subject to applicable state law). Nothing in the Area Development Agreement is intended to disclaim the representations made in the Disclosure Document.
u. Dispute resolution by arbitration or mediation	None	
v. Choice of forum	Section 15.1	All proceedings will be held in Orange County, California, subject to applicable state law. See the State Specific Addenda (Exhibit E) attached to this Disclosure Document.
w. Choice of law	Section 15.1	California, subject to the exception provided in Section 15.1 of the Area Development Agreement and applicable state law. See the State Specific Addenda (Exhibit E) attached to this Disclosure Document.

ITEM 18
PUBLIC FIGURES

Jason Acuna, better known by his professional name Wee Man, is an American TV host and celebrity. He starred in MTV's hit show Jackass and hosted Fox Sports Net's skateboarding show, 54321. Jason appears on our website, in our advertising circulars and sometimes at Chronic Tacos store openings to endorse our products and brand and promote franchise sales. Jason is also a shareholder and owns an 8% interest in Franchisor. He does receive monetary compensation for his appearances and endorsements.

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 of a particular location or under particular circumstances.

Written substantiation for the financial performance representations made in this Item 19 will be made available to you upon reasonable request.

Some Taco Restaurants have earned these amounts. Your individual results may differ. There is no assurance you'll earn as much.

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2023 GROSS SALES
 AT 24 REPORTING FRANCHISEE-OWNED TACO RESTAURANTS
 (SEE NOTES 1-4, 17)

2023 TABLE 1

FRANCHISED TACO RESTAURANTS (NOTE 1)	DATE OPENED (NOTE 1)	GROSS SALES (NOTE 2)
A	July 2002	\$1,724,190
B	November 2006	\$1,882,245
C	August 2008	\$642,227
D	July 2010	\$526,995
F	February 2011	\$1,302,978
G	June 2011	\$1,368,490
H	August 2015	\$681,568
I	April 2016	\$876,574
J	July 2004	\$934,689
K	May 2009	\$1,124,947
M	April 2015	\$1,203,581
N	May 2016	\$623,510
O	May 2017	\$740,915
P	October 2017	\$953,657
S	February 2018	\$1,029,430
T	August 2018	\$939,312
Y	June 2019	\$416,552
BB	August 2014	\$820,445
CC	July 2017	\$361,249
DD	November 2012	\$471,663
MM	June 2021	\$442,322
PP	January 3, 2022	\$511,222
QQ	June 8, 2022	\$722,118

FRANCHISED TACO RESTAURANTS (NOTE 1)	DATE OPENED (NOTE 1)	GROSS SALES (NOTE 2)
RR	May 30, 2022	\$292,199
TOTAL	24	\$20,593,078
AVERAGE GROSS SALES (NOTE 3)		\$858,045
HIGH/LOW		\$1,882,245/ \$292,199
AVERAGE OF TOP 25% OF FRANCHISED TACO RESTAURANTS (6 RESTAURANTS) (NOTE 3)		\$1,434,405
AVERAGE OF BOTTOM 25% OF FRANCHISED TACO RESTAURANTS (6 RESTAURANTS) (NOTE 3)		\$415,868
MEDIAN (NOTE 4)		\$780,680

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2022 GROSS SALES
 AT 27 REPORTING FRANCHISEE-OWNED TACO RESTAURANTS
 (SEE NOTES 5-8, 17)

2022 TABLE 1

FRANCHISED TACO RESTAURANTS (NOTE 5)	DATE OPENED (NOTE 5)	GROSS SALES (NOTE 6)
A	July 2002	\$1,810,092
B	November 2006	\$2,022,241
C	August 2008	\$647,858
D	July 2010	\$462,677
F	February 2011	\$1,192,030
G	June 2011	\$1,391,724
H	August 2015	\$868,460
I	April 2016	\$928,453
J	July 2004	\$985,855
K	May 2009	\$1,137,332
M	April 2015	\$1,126,375
N	May 2016	\$596,967
O	May 2017	\$848,481
P	October 2017	\$1,101,967
S	February 2018	\$1,083,117
T	August 2018	\$927,141
U	April 2008	\$491,852
V	September 2019	\$506,031
Y	June 2019	\$446,782
BB	August 2014	\$568,591
CC	July 2017	\$540,190
DD	November 2012	\$496,596

FRANCHISED TACO RESTAURANTS (NOTE 5)	DATE OPENED (NOTE 5)	GROSS SALES (NOTE 6)
FF	April 2019	\$517,401
LL	April 2019	\$349,955
MM	June 2021	\$442,795
NN	March 2021	\$403,384
OO	December 2021	\$1,001,406
TOTAL	27	\$22,895,753
AVERAGE GROSS SALES (NOTE 7)		\$847,991
HIGH/LOW		\$2,022,241/\$349,955
AVERAGE OF TOP 25% OF FRANCHISED TACO RESTAURANTS (7 RESTAURANTS) (NOTES 7)		\$1,397,394
AVERAGE OF BOTTOM 25% OF FRANCHISED TACO RESTAURANTS (7 RESTAURANTS) (NOTES 7)		\$442,006
MEDIAN (NOTE 8)		\$848,481

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2021 GROSS SALES, COST OF GOODS SOLD AND GROSS PROFIT
AT 14 REPORTING FRANCHISEE-OWNED TACO RESTAURANTS
(SEE NOTES 9-16, 17)

2021 TABLE 1

FRANCHISED TACO RESTAURANTS (NOTE 9)	DATE OPENED (NOTE 10)	GROSS SALES (NOTE 11)	COST OF GOODS SOLD (NOTE 12)	%	GROSS PROFIT (NOTE 13)	%
A	July 2002	\$1,450,116	\$385,041	27%	\$1,065,075	73%
B	November 2006	\$1,812,538	\$497,848	27%	\$1,314,690	73%
C	August 2008	\$727,511	\$219,544	30%	\$507,967	70%
D	July 2010	\$620,283	\$173,368	36%	\$446,915	72%
F	February 2011	\$1,089,705	\$355,704	33%	\$734,000	67%
G	June 2011	\$1,138,713	\$344,019	30%	\$794,694	70%
H	August 2015	\$928,666	\$287,421	31%	\$641,245	69%
I	April 2016	\$1,038,277	\$318,974	31%	\$719,303	69%
J	July 2004	\$957,802	\$275,387	29%	\$682,415	71%
M	April 2015	\$810,733	\$269,659	33%	\$541,074	67%
O	May 2017	\$944,170	\$403,956	43%	\$540,213	57%
P	October 2017	\$1,281,931	\$506,363	40%	\$775,568	60%
R	November 2017	\$620,040	\$222,865	36%	\$397,175	64%
T	August 2018	\$941,206	\$266,844	28%	\$674,363	72%
TOTAL	14	\$14,361,691	\$4,526,993	32%	\$9,834,698	68%
AVERAGE (NOTE 14)		\$1,025,835	\$323,357	32%	\$702,478	68%
HIGH/LOW		\$1,812,538/\$620,040	\$506,363/\$173,368	40%/27%	\$1,314,690/\$397,175	73%/57%
AVERAGE OF TOP 25% OF FRANCHISED TACO RESTAURANTS (4 RESTAURANTS) (NOTES 14, 15)		\$1,420,824	\$433,318	30%	\$987,507	70%
AVERAGE OF BOTTOM 25% OF FRANCHISED TACO RESTAURANTS (4 RESTAURANTS) (NOTES 14, 15)		\$694,642	\$221,359	32%	\$473,283	68%
MEDIAN (NOTE 16)		\$950,986	\$339,672	36%	\$611,314	64%

2021 GROSS SALES AT 14 FRANCHISEE-OWNED TACO RESTAURANTS THAT DID NOT REPORT COSTS OF GOODS INFORMATION
(SEE NOTES 9-16, 17)

2021 TABLE 2

FRANCHISED TACO RESTAURANTS (NOTE 9)	DATE OPENED (NOTE 10)	GROSS SALES (NOTE 11)
K	May 2009	\$1,146,373
N	May 2016	\$731,956
U	April 2008	\$556,857
V	September 2019	\$617,428
X	May 2018	\$480,648
S	February 2018	\$963,386
Y	June 2019	\$469,481
Z	June 2017	\$442,836
AA	February 2019	\$500,424
BB	August 2014	\$527,148
CC	July 2017	\$470,905
DD	November 2012	\$497,586
FF	April 2019	\$451,600
KK	February 2019	\$422,353
TOTAL	14	\$8,278,981
AVERAGE (NOTE 6)		\$591,356
HIGH/LOW		\$1,146,373/\$422,353
AVERAGE OF TOP 25% OF FRANCHISED TACO RESTAURANTS (4 RESTAURANTS) (NOTES 6, 7)		\$864,786
AVERAGE OF BOTTOM 25% OF FRANCHISED TACO RESTAURANTS (4 RESTAURANTS) (NOTES 6, 7)		\$446,568
MEDIAN (NOTE 8)		\$499,005

2021 GROSS SALES AT 28 FRANCHISEE-OWNED TACO RESTAURANTS
(SEE NOTES 9-16, 17)

2021 TABLE 3

FRANCHISED TACO RESTAURANTS (NOTE 9)	DATE OPENED (NOTE 10)	GROSS SALES (NOTE 11)
A	July 2002	\$1,450,116
B	November 2006	\$1,812,538
C	August 2008	\$727,511
D	July 2010	\$620,283
F	February 2011	\$1,089,705
G	June 2011	\$1,138,713
H	August 2015	\$928,666
I	April 2016	\$1,038,277
J	July 2004	\$957,802
M	April 2015	\$810,733
O	May 2017	\$944,170
P	October 2017	\$1,281,931
R	November 2017	\$620,040
T	August 2018	\$941,206
K	May 2009	\$1,146,373
N	May 2016	\$731,956
U	April 2008	\$556,857
V	September 2019	\$617,428
X	May 2018	\$480,648
S	February 2018	\$963,386
Y	June 2019	\$469,481
Z	June 2017	\$442,836
AA	February 2019	\$500,424
BB	August 2014	\$527,148

FRANCHISED TACO RESTAURANTS (NOTE 9)	DATE OPENED (NOTE 10)	GROSS SALES (NOTE 11)
CC	July 2017	\$470,905
DD	November 2012	\$497,586
FF	April 2019	\$451,600
KK	February 2019	\$422,353
TOTAL	28	\$22,640,672
AVERAGE (NOTE 14)		\$808,595
HIGH/LOW		\$1,450,116/\$422,353
AVERAGE OF TOP 25% OF FRANCHISED TACO RESTAURANTS (7 RESTAURANTS) (NOTES 14, 15)		\$1,279,665
AVERAGE OF BOTTOM 25% OF FRANCHISED TACO RESTAURANTS (7 RESTAURANTS) (NOTES 14, 15)		\$462,201
MEDIAN (NOTE 16)		\$729,734

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2020 GROSS SALES, COST OF GOODS SOLD AND GROSS PROFIT
AT 15 REPORTING FRANCHISEE-OWNED TACO RESTAURANTS
(SEE NOTES 17 – 25)

2020 TABLE 1

FRANCHISED TACO RESTAURANTS (NOTE 17)	DATE OPENED (NOTE 18)	GROSS SALES (NOTE 19)	COST OF GOODS SOLD (NOTE 20)	%	GROSS PROFIT (NOTE 21)	%
A	July 2002	\$1,513,624	\$432,764	29%	\$1,080,860	71%
B	November 2006	\$1,720,086	\$471,777	27%	\$1,248,309	73%
C	August 2008	\$710,613	\$220,262	31%	\$490,352	69%
D	July 2010	\$588,666	\$176,518	30%	\$412,148	70%
E	September 2010	\$701,635	\$230,899	33%	\$470,736	67%
F	February 2011	\$1,019,169	\$367,691	36%	\$651,478	64%
G	June 2011	\$1,014,703	\$297,516	29%	\$717,187	71%
H	August 2015	\$830,166	\$296,030	36%	\$534,136	64%
I	April 2016	\$887,672	\$284,730	32%	\$602,943	68%
J	July 2004	\$937,959	\$274,335	29%	\$663,624	71%
M	April 2015	\$816,815	\$255,748	31%	\$561,067	69%
O	May 2017	\$640,499	\$263,855	41%	\$376,643	59%
P	October 2017	\$1,250,024	\$471,042	38%	\$778,983	62%
R	November 2017	\$530,688	\$207,257	39%	\$323,431	61%
Y	August 2018	\$1,071,876	\$282,062	26%	\$789,814	74%
TOTAL	15	\$14,234,194	\$4,532,483	32%	\$9,701,711	68%
AVERAGE (NOTE 22)		\$948,946	\$302,166	32%	\$646,781	68%
HIGH/LOW		\$1,720,086/\$530,688	\$471,777/\$176,518	41%/26%	\$1,248,309/\$323,431	74%/59%
AVERAGE OF TOP 25% OF FRANCHISED TACO RESTAURANTS (4 RESTAURANTS) (NOTES 22, 23)		\$1,388,902	\$414,411	30%	\$974,491	70%
AVERAGE OF BOTTOM 25% OF FRANCHISED TACO RESTAURANTS		\$615,372	\$219,632	36%	\$395,740	64%

FRANCHISED TACO RESTAURANTS (NOTE 17)	DATE OPENED (NOTE 18)	GROSS SALES (NOTE 19)	COST OF GOODS SOLD (NOTE 20)	%	GROSS PROFIT (NOTE 21)	%
(4 RESTAURANTS) (NOTES 22, 23)						
MEDIAN (NOTE 24)		\$887,672	\$284,730	32%	\$602,943	68%

2020 GROSS SALES AT 15 FRANCHISEE-OWNED TACO RESTAURANTS THAT DID NOT REPORT COSTS OF GOODS INFORMATION
(SEE NOTES 17 – 25)

2020 TABLE 2

FRANCHISED TACO RESTAURANTS (NOTE 17)	DATE OPENED (NOTE 18)	GROSS SALES (NOTE 19)
K	May 2009	\$884,399
N	May 2016	\$799,523
U	April 2008	\$656,089
V	September 2019	\$636,357
W	March 2018	\$606,770
X	May 2018	\$550,372
S	February 2018	\$538,733
Y	June 2019	\$528,803
Z	June 2017	\$485,896
AA	February 2019	\$469,389
BB	August 2014	\$463,853
CC	July 2017	\$463,415
DD	November 2012	\$459,506
EE	November 2017	\$379,441
FF	April 2019	\$377,772
TOTAL	15	\$8,300,318
AVERAGE (NOTE 14)		\$553,355

FRANCHISED TACO RESTAURANTS (NOTE 17)	DATE OPENED (NOTE 18)	GROSS SALES (NOTE 19)
HIGH/LOW		\$884,399/\$377,772
AVERAGE OF TOP 25% OF FRANCHISED TACO RESTAURANTS (4 RESTAURANTS) (NOTES 22, 23)		\$744,092
AVERAGE OF BOTTOM 25% OF FRANCHISED TACO RESTAURANTS (4 RESTAURANTS) (NOTES 22, 23)		\$420,034
MEDIAN (NOTE 24)		\$528,803

2020 GROSS SALES AT 30 FRANCHISEE-OWNED TACO RESTAURANTS
(SEE NOTES 17 – 25)

2020 TABLE 3

FRANCHISED TACO RESTAURANTS (NOTE 17)	DATE OPENED (NOTE 18)	GROSS SALES (NOTE 19)
A	July 2002	\$1,513,624
B	November 2006	\$1,720,086
C	August 2008	\$710,613
D	July 2010	\$588,666
E	September 2010	\$701,635
F	February 2011	\$1,019,169
G	June 2011	\$1,014,703
H	August 2015	\$830,166
I	April 2016	\$887,672
J	July 2004	\$937,959
M	April 2015	\$816,815
O	May 2017	\$640,499
P	October 2017	\$1,250,024

FRANCHISED TACO RESTAURANTS (NOTE 17)	DATE OPENED (NOTE 18)	GROSS SALES (NOTE 19)
R	November 2017	\$530,688
T	August 2018	\$1,071,876
K	May 2009	\$884,399
N	May 2016	\$799,523
U	April 2008	\$656,089
V	September 2019	\$636,357
W	March 2018	\$606,770
X	May 2018	\$550,372
S	February 2018	\$538,733
Y	June 2019	\$528,803
Z	June 2017	\$485,896
AA	February 2019	\$469,389
BB	August 2014	\$463,853
CC	July 2017	\$463,415
DD	November 2012	\$459,506
EE	November 2017	\$379,441
FF	April 2019	\$377,772
TOTAL	30	\$22,534,513
AVERAGE (NOTE 14)		\$751,150
HIGH/LOW		\$1,720,086/\$377,772
AVERAGE OF TOP 25% OF FRANCHISED TACO RESTAURANTS (7 RESTAURANTS) (NOTES 22, 23)		\$1,218,206
AVERAGE OF BOTTOM 25% OF FRANCHISED TACO RESTAURANTS (7 RESTAURANTS) (NOTES 22, 23)		\$442,753
MEDIAN (NOTE 24)		\$648,294

NOTE 1:

2023 Table 1 includes actual historical unaudited information we have accumulated for 24 Taco Restaurants that were owned and operated by our franchisees in 2023. All of these franchised Taco Restaurants are operations similar to the franchise offered in this Disclosure Document. All restaurants included in Item 19, 2023 Table 1 were open and operating for all of 2023.

The figures in 2023 Table 1 are taken from reports submitted to us by certain Chronic Tacos franchisees on their Gross Sales (as defined in Note 3).

There were a total of 24 franchised Taco Restaurants owned and operated by our franchisees in the United States for at least one year as of December 31, 2022. We have included 2022 Table 1 to show the Gross Sales for all 24 franchised Taco Restaurants.

2023 Table 1 does not include: (i) 1 franchised Taco Restaurant that opened in the United States during the fiscal year ended December 31, 2023, (ii) 1 franchised Taco Restaurant that was sold to our affiliate, CTE, during the fiscal year ended December 31, 2023, and (iii) 7 franchised Taco Restaurants that permanently closed in the United States during the fiscal year ended December 31, 2023, all of which had been open for at least 12 months prior to closing.

The Taco Restaurants identified as A through RR in Tables 1 and 2 for 2023 and 2022 and Tables 1, 2 and 3 for 2021. All information is unaudited.

NOTE 2:

The Gross Sales of each franchised Taco Restaurant included in 2023 Table 1 appears in the third column. For purposes of 2023 Table 1, "Gross Sales" means the aggregate of the total of all revenues derived from sales of any nature or kind whatsoever from each Taco Restaurant included in 2023 Table 1 whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Taco Restaurants although filled elsewhere. Gross Sales includes the full value of meals our franchisee provided to their employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the meals were provided) and all proceeds from the sale of coupons, gift certificates or vouchers. Gross Sales excludes the amount of bona fide refunds paid to customers and the amount of sales or use taxes actually paid to any governmental authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

NOTE 3:

For purposes of 2023 Table 1, "Average Gross Sales" means the aggregate Gross Sales divided by the total number of franchised Taco Restaurants included in 2023 Table 1. 2023 Table 1 states the Average Gross Sales for the top 25% and bottom 25% of the 24 franchised Taco Restaurants included in 2023 Table 1.

NOTE 4:

For purposes of 2023 Table 1, "Median Gross Sales" means the midpoint dollar value of Gross Sales for all 24 franchised Taco Restaurants included in 2023 Table 1. The Median for a category with an odd number of data points will be the center number in that set. The Median for a category with an even number of data points is

determined by taking the mean (average) of the two middlemost values in that category, which is calculated by adding those two values together and then dividing the aggregate by two.

NOTE 5:

2022 Table 1 includes actual historical unaudited information we have accumulated for 27 Taco Restaurants that were owned and operated by our franchisees in 2022. All of these franchised Taco Restaurants are operations similar to the franchise offered in this Disclosure Document. All restaurants included in Item 19, 2022 Table 1 were open and operating for all of 2022, except the Taco Restaurant identified as C temporarily closed for approximately one month during 2022 due to labor shortages resulting from the COVID-19 pandemic.

The figures in 2022 Table 1 are taken from reports submitted to us by certain Chronic Tacos franchisees on their Gross Sales (as defined in Note 6).

There were a total of 32 franchised Taco Restaurants owned and operated by our franchisees in the United States for at least one year as of December 31, 2022. We have included 2022 Table 1 to show the Gross Sales for the 27 franchised Taco Restaurants, which is 81% of the 32 franchised Taco Restaurants in operation in the United States for at least one year as of December 31, 2022. The 27 franchised Taco Restaurants included in 2022 Table 1 were selected because their Gross Sales information was available to us and believed to be complete, accurate and reliable.

2022 Table 1 does not include: (i) 3 franchised Taco Restaurants that opened in the United States during the fiscal year ended December 31, 2022, (ii) 1 company-owned Taco Restaurant that was sold to a franchisee during the fiscal year ended December 31, 2022, (iii) 8 franchised Taco Restaurants that permanently closed in the United States during the fiscal year ended December 31, 2022, all of which had been open for at least 12 months prior to closing, and (iv) 1 franchised Taco Restaurant operating in a non-traditional location that was closed for 2 years and reopened in April 2022.

The Taco Restaurants identified as A through RR in Tables 1 and 2 for 2023 and 2022 and Tables 1, 2 and 3 for 2021 are uniformly identified each year. All information is unaudited.

NOTE 6:

The Gross Sales of each franchised Taco Restaurant included in 2022 Table 1 appears in the third column. For purposes of 2022 Table 1, "Gross Sales" means the aggregate of the total of all revenues derived from sales of any nature or kind whatsoever from each Taco Restaurant included in 2022 Table 1 whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Taco Restaurants although filled elsewhere. Gross Sales includes the full value of meals our franchisee provided to their employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the meals were provided) and all proceeds from the sale of coupons, gift certificates or vouchers. Gross Sales excludes the amount of bona fide refunds paid to customers and the amount of sales or use taxes actually paid to any governmental authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

NOTE 7:

For purposes of 2022 Table 1, "Average Gross Sales" means the aggregate Gross Sales divided by the total

number of franchised Taco Restaurants included in 2022 Table 2. 2022 Table 1 states the Average Gross Sales for the top 25% and bottom 25% of the 27 franchised Taco Restaurants included in 2022 Table 1.

NOTE 8:

For purposes of 2022 Table 1, "Median Gross Sales" means the midpoint dollar value of Gross Sales for all 27 franchised Taco Restaurants included in 2022 Table 1. The Median for a category with an odd number of data points will be the center number in that set. The Median for a category with an even number of data points is determined by taking the mean (average) of the two middlemost values in that category, which is calculated by adding those two values together and then dividing the aggregate by two.

NOTE 9:

2021 Table 1 includes actual historical unaudited information we have accumulated for 14 Taco Restaurants that were owned and operated by our franchisees in 2021. All of these franchised Taco Restaurants are operations similar to the franchise offered in this Disclosure Document. All restaurants included in Item 19, 2021 Tables 1, 2 and 3 were open and operating for all of 2021, except the Taco Restaurant identified as Z temporarily closed for approximately 10 days during 2021 due to labor shortages resulting from the COVID-19 pandemic. The Taco Restaurants identified as C, N, S, A, AA, FF and KK operated with limited hours in 2021 due to labor shortages COVID-19 pandemic. Taco Restaurant catering orders were also lower than in previous years due to business closures from the COVID-19 pandemic.

The figures in 2021 Table 1 are taken from reports submitted to us by certain Chronic Tacos franchisees on their Gross Sales (as defined in Note 11), Cost of Goods Sold (as defined in Note 12) and Gross Profit (as defined in Note 13).

There were a total of 33 franchised Taco Restaurants owned and operated by our franchisees in the United States for at least one year as of December 31, 2021. 14 franchised Taco Restaurants that reported both Gross Sales information and Cost of Goods information are included in 2021 Table 1, which is 42% of the 33 franchised Taco Restaurants in operation in the United States for at least one year as of December 31, 2021. The 14 franchised Taco Restaurants included in 2021 Table 1 were selected because their Gross Sales and Cost of Goods information was available to us and believed to be complete, accurate and reliable. Cost of Goods information for the remaining 19 franchised Taco Restaurants in operation in the United States for at least one year as of December 31, 2019 was either unavailable to us or believed to be incomplete, inaccurate or unreliable.

We have included 2021 Table 2 to show Gross Sales for 14 of the 19 franchised Taco Restaurants that did not provide us with complete Cost of Goods information for 2021, which is 42% of the 33 franchised Taco Restaurants in operation in the United States for at least one year as of December 31, 2021. The 14 franchised Taco Restaurants included in 2021 Table 2 were selected because their Gross Sales information was available to us and believed to be complete, accurate and reliable.

We have included 2021 Table 3 to show the Gross Sales for the 28 franchised Taco Restaurants identified in 2021 Tables 1 and 2, which is 85% of the 33 franchised Taco Restaurants in operation in the United States for at least one year as of December 31, 2021. The 28 franchised Taco Restaurants included in 2021 Table 3 were selected because their Gross Sales information was available to us and believed to be complete, accurate and reliable. Gross Sales and Cost of Goods information for the remaining 5 franchised Taco Restaurants was either unavailable to us or believed to be incomplete, inaccurate or unreliable.

2021 Tables 1, 2 and 3 do not include: (i) 3 franchised Taco Restaurants that opened in the United States during the fiscal year ended December 31, 2021, and (ii) 4 franchised Taco Restaurants that permanently closed in the United States during the fiscal year ended December 31, 2021, all of which had been open for at least 12 months prior to closing.

The Taco Restaurants identified as A through RR in Tables 1 and 2 for 2023 and 2022 and Tables 1, 2 and 3 for 2021 are uniformly identified each year. All information is unaudited.

Percentages (%) to the immediate right of each category represent that category's value as a percentage of Gross Sales.

NOTE 10:

All 14 franchised Taco Restaurants included in 2021 Table 1, all 14 franchised Taco Restaurants included in 2021 Table 2, and all 28 franchised Taco Restaurants included in 2021 Table 3 were open and operating for more than one year as of December 31, 2021. The opening date of each franchised Taco Restaurant included in 2021 Tables 1, 2 and 3 appears in the second column.

NOTE 11:

The Gross Sales of each franchised Taco Restaurant included in 2021 Tables 1, 2 and 3 appears in the third column. For purposes of 2021 Tables 1, 2 and 3, "Gross Sales" means the aggregate of the total of all revenues derived from sales of any nature or kind whatsoever from each Taco Restaurant included in 2021 Tables 1, 2 and 3, whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Taco Restaurants although filled elsewhere. Gross Sales includes the full value of meals our franchisee provided to their employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the meals were provided) and all proceeds from the sale of coupons, gift certificates or vouchers. Gross Sales excludes the amount of bona fide refunds paid to customers and the amount of sales or use taxes actually paid to any governmental authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

NOTE 12:

The Cost of Goods Sold of each franchised Taco Restaurant included in 2021 Table 1 appears in the fourth column. For purposes of 2021 Table 1, "Cost of Goods Sold" means our franchisees' expenses for food, beverages and paper goods.

NOTE 13:

The Gross Profit of each franchised Taco Restaurant included in 2021 Table 1 appears in the sixth column. For purposes of 2021 Table 1, "Gross Profit" means Gross Sales less Cost of Goods Sold.

NOTE 14:

For purposes of 2021 Table 1, "Average" means the aggregate in each category divided by the total number of franchised Taco Restaurants included in 2021 Table 1.

For purposes of 2021 Table 2, "Average Gross Sales" means the aggregate Gross Sales divided by the total number of franchised Taco Restaurants included in 2021 Table 2.

For purposes of 2021 Table 3, "Average Gross Sales" means the aggregate Gross Sales divided by the total number of franchised Taco Restaurants included in 2021 Table 3.

NOTE 15:

2021 Table 1 states the Averages in each of the 3 different categories for the top 25% and bottom 25% of the 14 franchised Taco Restaurants included in 2021 Table 1.

2021 Table 2 states the Average Gross Sales for the top 25% and bottom 25% of the 14 franchised Taco Restaurants included in 2021 Table 2.

2021 Table 3 states the Average Gross Sales for the top 25% and bottom 25% of the 28 franchised Taco Restaurants included in 2021 Table 3.

NOTE 16:

For purposes of 2021 Table 1, "Median" means the midpoint dollar and percentage value in each category across all 14 franchised Taco Restaurants included in 2021 Table 1.

For purposes of 2021 Table 2, "Median Gross Sales" means the midpoint dollar value of Gross Sales for all 14 franchised Taco Restaurants included in 2021 Table 2.

For purposes of 2021 Table 3, "Median Gross Sales" means the midpoint dollar value of Gross Sales for all 28 franchised Taco Restaurants included in 2021 Table 3.

The Median for a category with an odd number of data points will be the center number in that set. The Median for a category with an even number of data points is determined by taking the mean (average) of the two middlemost values in that category, which is calculated by adding those two values together and then dividing the aggregate by two.

NOTE 17:

The information provided in this Item 19 is the only information we authorize regarding performance of any Taco Restaurant. We do not furnish, or authorize our salespersons or anyone else to furnish, any oral or written information concerning the actual or potential sales, costs, income or profits of a Taco Restaurant.

Other than the financial performance representations listed above, we do not make any representations about a franchisee's future financial performance or the past financial performance of affiliate-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 Franchisor's management by contacting our President, Michael Mohammed, 95 Enterprise, Suite 320, Aliso Viejo, California 92673, (949) 366-9936, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEM-WIDE RESTAURANT SUMMARY
FOR FISCAL YEARS 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised*				
	2021	45	45	0
	2022	45	36	-9
	2023	36	29	-7
Affiliate-Owned				
	2021	2	2	0
	2022	2	1	-1
	2023	1	2	+1
Total Outlets*				
	2021	47	47	0
	2022	47	37	-10
	2023	37	31	-6

*Angels Baseball LP, a California limited partnership (“ABLP”), or its foodservice vendor, operates two “Sponsor Branded Concession Stands” using the Chronic Tacos brand and selling Chronic Tacos products, one in the Right Field Pavilion at Angels Stadium, Anaheim, California, and the other on the fourth level of Angels Stadium, non-traditional venues, pursuant to Sponsorship Agreements. We pay ABLP advertising and licensing fees under the Sponsorship Agreements and do not collect royalties or receive other monetary compensation under the Sponsorship Agreements. Accordingly, these locations are not included as franchised or affiliate-owned locations and are not included in Exhibit I.

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
OTHER THAN CHRONIC TACOS
FOR FISCAL YEARS 2021 to 2023

State	Year	Number Of Transfers
California		
	2021	0
	2022	1
	2023	0
Georgia		
	2021	0
	2022	0
	2023	0
Totals		
	2021	0
	2022	1

State	Year	Number Of Transfers
	2023	0

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR FISCAL YEARS 2021 to 2023

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations - Other Reasons	Outlets At End Of The Year
Alabama								
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Arizona								
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	1	0	0	0	0
California								
	2021	25	3	1	1	0	0	26
	2022	26	2	6	2	0	0	20
	2023	20	1	2	0	1	0	18
Florida								
	2021	4	0	1	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	1	0	0	0	2
Georgia								
	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Hawaii								
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada								
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	1	0	0	0
Oregon								
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas								
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	1	0	0	0	0

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations - Other Reasons	Outlets At End Of The Year
Utah								
	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
	2023	0	0	0	0	0	0	0
Washington								
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Canada								
	2021	6	0	0	0	0	0	6
	2022	6	0	3	1	0	0	2
	2023	2	0	0	0	0	0	2
Japan								
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	1	2
Totals								
	2021	45	4	3	1	0	0	45
	2022	45	4	10	3	0	0	36
	2023	36	1	5	1	1	1	29

Attached as Exhibit I to this Disclosure Document are the names, addresses and telephone numbers of all current franchisees as of December 31, 2023.

Also attached as Exhibit I to this Disclosure Document are the names, cities, provinces/states and current business telephone numbers (or if unknown, last known home telephone numbers) of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within ten weeks of the Disclosure Document issuance date.

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

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish 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 independent trademark-specific franchisee organizations associated with the franchise system being offered that have asked to be included in this Disclosure Document.

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TABLE NO. 4
STATUS OF AFFILIATE-OWNED OUTLETS
FOR FISCAL YEARS ENDING 2021 to 2023

State	Year	Outlets At Start Of The Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets At End Of The Year
Arizona							
	2021	1	0	0	0	0	1
	2022	1	0	0	0	1	0
	2023	0	0	0	0	0	0
California							
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	1	0	0	2
Totals							
	2021	2	0	0	0	0	2
	2022	2	0	0	0	1	1
	2023	1	0	1	0	0	2

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2023

State	Franchise Agreements Signed But Outlets Not Opened	New Franchised Outlets In The Next Fiscal Year	Projected New Affiliate-Owned Outlets In The Next Fiscal Year
California	2	2	2
Totals	2	2	2

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as [Exhibit G](#) are our audited financial statements for the fiscal years ending December 31, 2023, 2022, and 2021. Our fiscal year end is December 31 of each year.

ITEM 22
CONTRACTS

Attached as [Exhibit A](#) is a copy of our current form of Franchise Agreement.
Attached as [Exhibit B](#) is a copy of our current form of Area Development Agreement.
Attached as [Exhibit C](#) is a copy of our current form of Confidentiality Agreement for Prospective Franchisees.
Attached as [Exhibit D](#) is a copy of our current form of Option to Obtain Lease Assignment.
Attached as [Exhibit E](#) is a copy of our current form of General Release.
Attached as [Exhibit F](#) is a copy of our current form of State Specific Addenda.
Attached as [Exhibit J](#) is a copy of our current form of Non-Disclosure and Confidentiality Agreement for Employees of Franchisee.

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit K. Please return one copy to us and retain the other for your records.

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A
FRANCHISE AGREEMENT

CHRONIC TACOS ENTERPRISES, INC.

FRANCHISE AGREEMENT

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE AGREEMENT

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EXHIBITS

EXHIBIT A	FRANCHISE INFORMATION
EXHIBIT B	ENTITY INFORMATION DISCLOSURE
EXHIBIT C	GUARANTEE OF FRANCHISE AGREEMENT

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of _____ (the "Effective Date"), by and between CHRONIC TACOS ENTERPRISES, INC., a California corporation ("Franchisor"), on the one hand, and the individuals or Entity identified as "Franchisee" on Exhibit A, on the other hand, who are individually referred to in this Agreement as a "Party", and collectively referred to in this Agreement as "Parties", with reference to the following facts:

A. Franchisor has developed the "Chronic Tacos System" for the establishment and operation of Chronic Tacos fast-casual restaurants ("Taco Restaurants") that offer a menu featuring authentic Mexican food and other food and beverage products for to order for dine in, take-out, delivery, and catering events under the trade name and service mark "Chronic Tacos" and other related trademarks, service marks, logos and commercial symbols (the "Chronic Tacos Marks"). The Chronic Tacos Marks used to identify the Chronic Tacos System may be modified by Franchisor, from time to time. Franchisor continues to develop, use and control the use of the Chronic Tacos Marks in order to identify for the public the source of services and products marketed under the Chronic Tacos Marks and the Chronic Tacos System, and to represent the Chronic Tacos System's high standards of quality, appearance and service.

B. Franchisee desires to obtain a license and franchise to operate a single Taco Restaurant, under the Chronic Tacos Marks and in strict accordance with the Chronic Tacos System, and the standards and specifications established by Franchisor, and Franchisor is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS.

The following capitalized terms in this Agreement are assigned these definitions:

"Abandon" means (i) Franchisee's failure, at any time during the Term, to keep the Taco Restaurant open and operating for business for a period of five (5) consecutive days, except as provided in the Manuals, (ii) Franchisee's failure to keep the Taco Restaurant open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Taco Restaurant, unless the failure to operate is due to Force Majeure (subject to Franchisee's continuing compliance with this Agreement), (iii) Franchisee's failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Taco Restaurant solely with the Chronic Tacos name, (iv) the withdrawal of permission from the Landlord that results in Franchisee's inability to continue operation of the Taco Restaurant at the Franchised Location, or (v) a closure of the Taco Restaurant required by Applicable Law.

"Affiliate" or "Affiliates" mean any person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement. Control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise.

“Applicable Law” means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of the Taco Restaurant that are in effect on or after the Effective Date, as they may be amended from time to time.

“Approved Suppliers” means suppliers of Chronic Tacos Branded Products, Chronic Tacos Proprietary Products and Non-Proprietary Products, and ancillary services, Food Delivery Services, food products, beverages, supplies, furniture, fixtures and equipment for Taco Restaurants that have been accepted and approved by Franchisor because they have demonstrated to Franchisor their ability to supply products and services for Taco Restaurants meeting Franchisor’s specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. Franchisor and its Affiliates may be Approved Suppliers.

“Authorized Chronic Tacos Products” means all Chronic Tacos Branded Products, Chronic Tacos Proprietary Products and Non-Proprietary Products offered for sale or used at Taco Restaurants, as specified by Franchisor from time to time.

“Business Judgment” means that Franchisor is allowed to exercise its judgment however Franchisor believes is appropriate in a given circumstance without limitation, subject to the use of that discretion in any reasonable way as more fully described in Section 21.17.

“Catering Services” means (i) the preparation, provision and service and management of service of food and beverages (including sales, marketing and promotional practices related thereto) to guests, invitees and other third parties on behalf of a customer of the provider, whether on premises owned, leased, managed, licensed, hired or operated by such customer, or for a venue-based catering facility not constituting a restaurant by the provider including, without limitation, a private, cultural, entertainment, healthcare, sports, convention or educational facility, or as part of a special event such as a sporting, cultural, charitable or political event; and (ii) contract catering services which means the preparation, provision and service or management of service of food and beverages (including sales, marketing and promotional practices related thereto) to employees, customers, vendors, guests and invitees (but not the general public) on behalf of a customer or to a customer directly on an ongoing basis over a period of time pursuant to a contract with such customer.

“Chronic Tacos Branded Products” means any product now existing or developed in the future that bears any of the Chronic Tacos Marks, including products that are prepared, sold and/or manufactured in strict accordance with Franchisor’s recipes, methods, standards and specifications, including pre-packaged food and beverage products, clothing, souvenirs and novelty items.

“Chronic Tacos Proprietary Products” means only those food products, beverages, packaging and other products which are produced or manufactured strictly in accordance with Trade Secrets or that Franchisor otherwise designates as proprietary.

“Chronic Tacos System” means Franchisor’s operating methods and business practices related to Taco Restaurants, and the relationship between Franchisor and its franchisees, including interior and exterior Taco Restaurant design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product offerings, recipes and preparation methods, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training

programs, marketing and public relations programs, Franchisor's website, all as Franchisor may modify the same from time to time.

"Co-Branding" means the operation of an independent business, product line or operating system owned or licensed by another Entity (not Franchisor) that is featured or incorporated within the Taco Restaurant or is adjacent to the Taco Restaurant and operated in a manner likely to cause the public to perceive it is related to the Taco Restaurant. An example would be an independent ice cream store or counter installed within the Taco Restaurant.

"Competitive Business" means any restaurant business which prepares, offers and sells Mexican food products as a primary menu item and any restaurant business which looks like, copies, imitates, or operates with similar trade dress or décor to the Taco Restaurant.

"Constituents" means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

"Crisis Management Event" means any event that occurs at or about the Taco Restaurant that has or may cause harm or injury to customers or employees, including, without limitation, food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings, epidemics, pandemics or any other circumstance which may damage the Chronic Tacos System, the Chronic Tacos Marks, or the image or reputation of Franchisor and its Affiliates.

"Daily Fee" means the \$300 daily fee that Franchisee shall pay Franchisor for each of Franchisor's representatives who provides Additional Initial Training or Additional Training Programs for Franchisee.

"Default" means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"Electronic Signature" means any electronic symbol and/or process attached to or logically associated with a document and executed by a Party with the intent to sign such document, including facsimile, email, or other electronic signatures.

"Entity" means any limited liability company, partnership, trust, association, corporation or other entity, which is not an individual. If Franchisee is an Entity, the Entity shall conduct no other business than the operation of the Taco Restaurant.

"Equity" means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity.

"Expiration Date" means the tenth anniversary of the Effective Date.

"Force Majeure" means any event (i) that was reasonably unforeseeable as of the Effective Date, (ii) that is beyond the reasonable control, directly or indirectly, of a Party, (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence, (iv) that does not result from the fault or negligence of that Party or its agents, employees or contractors, and (v) that causes

performance by that Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, "Force Majeure" includes (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance, (d) unilateral governmental action impacting restaurants generally, and (e) contagious diseases, epidemics, pandemics, transportation shortages, inadequate supply of labor, material or energy, or a Party foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, Landlord, contractor, or other Person, or Franchisee's financial inability to perform or Franchisee's insolvency, shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. An event of Force Majeure will not affect or change Franchisee's obligation to pay Royalty, Advertising Fund Fees, Technology Fees or any other fees owed to Franchisor when due.

"Food Delivery Services" means on-line third-party food-ordering platforms that deliver Authorized Chronic Tacos Products.

"Franchised Location" means the site of the Taco Restaurant at _____.

"General Release" means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor and its Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

"Good Standing" means Franchisee is in substantial compliance with the material requirements of this Agreement, the Manuals and all other agreements then in effect between Franchisor, or its Affiliates, and Franchisee, and has substantially cured each curable Default for which Franchisor has issued a Notice of Default to Franchisee within the time periods set forth in Article 16.

"Governmental Authority" means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"Gross Sales" means the total of all revenues derived from sales of any nature or kind whatsoever from the Taco Restaurant during the Term, as well as the proceeds from any business interruption insurance related to the non-operation of the Franchised Location, and whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Taco Restaurant although filled elsewhere. "Gross Sales" shall include the full value of meals Franchisee provides to its employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the meals were provided) and all proceeds from the sale of coupons, gift certificates or vouchers. "Gross Sales" shall exclude the amount of bona fide refunds paid to customers and the amount of any sales or use taxes actually paid to any Governmental Authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

"Initial Franchise Fee" means the initial fee that Franchisee must pay Franchisor for the right to operate the Taco Restaurant under this Agreement in the sum of \$30,000.

"Initial Term" means the ten (10) year period commencing on the Opening Date and ending on the Expiration Date.

"Landlord" means the owner of the Franchised Location who enters into a Lease with Franchisee for the Franchised Location.

"Lease" shall mean any agreement, however denominated, that allows Franchisee to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Franchisee and a Landlord.

"Manuals" means Franchisor's operations and training manuals and any other written directives related to the Chronic Tacos System, as they may be amended, issued and revised from time to time.

"NACHA" means the National Automated Clearing House Association, an organization that establishes the standards and rules followed by financial institutions for transferring payments.

"Non-Proprietary Products" means the food products, condiments, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Chronic Tacos Branded Products and Chronic Tacos Proprietary Products, that Franchisee may or must use, offer and sell at the Taco Restaurant.

"Non-Traditional Venue" means a broad variety of atypical retail sites, including, without limitation, a site, venue or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings including office buildings and business complexes, arenas, stadiums and entertainment venues, health clubs and recreational facilities, airports, train and bus stations, toll road facilities and other transportation terminals and related facilities, food service fulfillment centers, educational, medical, governmental and other types of institutional facilities, restaurant-in retail locations or restaurant-in restaurant locations (for example, a kiosk within a grocery store, other restaurant or movie theater), food courts operated by a master concessionaire and any site for which the lessor, owner or operator limits the operation of its food service facilities to a master concessionaire or contract food service provider.

"Open," "Open For Business," "Opened" and "Opened For Business" means that Franchisee actually has begun to offer Authorized Chronic Tacos Products for sale to the public from the Taco Restaurant.

"Opening Date" means the day that (i) Franchisee receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at the Taco Restaurant, and (ii) Franchisee actually begins to offer Authorized Chronic Tacos Products for sale to the public from the Taco Restaurant, whichever occurs last.

"Owner" means each of the individuals listed on Exhibit B and each future direct or indirect shareholder, member, general or limited partner, trustee or other Equity owner of Franchisee. Each Owner and each Owner's spouse shall jointly and severally guarantee Franchisee's performance of its obligations in this Agreement under a Guarantee in the form of Exhibit C.

“Payment Network” means Visa, MasterCard and any credit or debit card network issuing credit or debit cards and/or their duly authorized entities, agents or affiliates.

“Payment Processors” means all credit card, debit card and/or ACH processors whose services Franchisor may require Franchisee to utilize, as well as payment gateway service providers.

“Payment Rules” means the operating rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time.

“Permits” means and include all applicable franchises, licenses, permits, registrations, certificates and other operating authority required by Applicable Law.

“Principal Owner” means the individual designated by Franchisee on Exhibit B, and accepted by Franchisor, to serve as primary operator of the Taco Restaurant, to serve as the authorized representative of Franchisee, who shall act as Franchisee’s representative in all matters with Franchisor, as Franchisee’s liaison with Franchisor and the Owners, and shall have the authority to act on behalf of Franchisee during the Term without the participation of any other Owner. The Principal Owner shall own a minimum of a ten percent (10%) ownership interest in Franchisee throughout the term of this Agreement.

“Recommended Suppliers” means suppliers of Non-Proprietary Products who are recommended by Franchisee to become Approved Suppliers.

“Relocation Fee” means the fee that Franchisee must pay Franchisor if Franchisee requests Franchisor to consent to a relocation of the Taco Restaurant in the sum of \$2,500.

“Renewal Right” means the right held by Franchisee to renew this Agreement for the Renewal Term upon the expiration of the Initial Term.

“Renewal Term” means one (1) ten (10) year period commencing on the Expiration Date and ending on the Renewal Term Expiration Date.

“Renewal Term Expiration Date” means the tenth anniversary of the commencement date of the Renewal Term.

“Restaurant Manager” means an individual who is responsible for overseeing the operation of the Taco Restaurant in the absence of the Principal Owner.

“Restricted Persons” means Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers and Affiliates of each of them, and the spouse of each of the foregoing who are individuals.

“Taco Franchise Agreements” means Franchise Agreements between Franchisor and Taco Franchisees for Taco Restaurants outside of the Protected Area.

“Taco Franchisees” means the parties who enter into Taco Franchise Agreements with Franchisor to develop, own and operate Taco Restaurants outside of the Protected Area.

“Taco Restaurant” means the Taco Restaurant located at the Franchised Location and operated by Franchisee under the Chronic Tacos Marks and in accordance with the Chronic Tacos System pursuant to this Agreement.

“Technology Fee” means the weekly fee for an amount determined by Franchisor but not to exceed \$200 that Franchisee must pay to Franchisor, in the manner set forth in Section 4.5, for Franchisor’s costs to support and maintain Chronic Tacos’ POS System, loyalty program, and online ordering system, and to develop and maintain online management platforms and corporate intranet, including a trading platform and marketing portal.

“Term” means both the Initial Term and the Renewal Term of this Agreement.

“Then-Current” means the form of agreement then-currently provided by Franchisor to similarly situated prospective Taco Franchisees, which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor at its discretion which previously has been delivered to and executed by a Taco Franchisee of Franchisor, or, as the context of this Agreement indicates, the fees then-currently charged by Franchisor for services provided by Franchisor.

“Trade Secrets” means proprietary and Confidential Information, including, recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating the Taco Restaurant and producing Authorized Chronic Tacos Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee’s possession before receipt from Franchisor.

2. GRANT.

2.1 Grant. Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Initial Term, to use and display the Chronic Tacos Marks and to use the Chronic Tacos System to continuously operate one (1) Taco Restaurant at, and only at, the Franchised Location, upon the terms and subject to the provisions of this Agreement and all ancillary documents binding Franchisor and Franchisee. Franchisee shall utilize the Franchised Location only for the operation of the Taco Restaurant. Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for the right to operate the Taco Restaurant or to use the Chronic Tacos System granted pursuant to this Agreement.

2.2 Protected Area. During the Initial Term, and provided that Franchisee is not in Default of this Agreement or any other agreement between Franchisor, its Affiliates, and Franchisee, Franchisor shall not own, operate, sell, or issue a franchise for any other Taco Restaurant within the Protected Area. Notwithstanding the foregoing, however, if the Franchised Location is located at a Non-Traditional Venue, the Protected Area shall be limited to the Non-Traditional Venue. Except as expressly provided for in this Section 2.2, Franchisee shall have no territorial or protective rights with respect to the Taco Restaurant, and Franchisor shall have the right to place other Taco Restaurants anywhere it desires outside the Protected Area. Franchisee shall not receive an exclusive territory. Unless Franchisor agrees otherwise in writing, Franchisee may only accept and fulfill orders received from Food Delivery Services in the Protected Area. Franchisee must advise all Food Delivery Services of these delivery restrictions imposed on Franchisee.

2.3 Rights Reserved by Franchisor. Franchisor and its Affiliates expressly reserve all other rights with respect to Chronic Tacos System, the Chronic Tacos Marks and Chronic Tacos Restaurants, including the

exclusive right, at their discretion, directly or indirectly, without paying Franchisee any compensation or granting Franchisee any rights in the same to: (i) develop, own and operate, and to grant licenses and franchises to third parties to develop, own and operate, Chronic Tacos Restaurants at any location outside of the Protected Area regardless of its proximity to the Taco Restaurant; (ii) develop, own and operate, and to grant licenses and franchises to third parties to develop, own and operate, any other business, including a beverage and snack or food business, other than a Competitive Business, under marks and systems different from the Chronic Tacos Marks and Chronic Tacos System at any location within or outside of the Protected Area regardless of its proximity to the Taco Restaurant; (iii) sell or distribute, at retail or wholesale, directly or indirectly, and license others to sell or distribute, Chronic Tacos Branded Products and Chronic Tacos Proprietary Products from any location within or outside of the Protected Area regardless of proximity to the Taco Restaurant, through the Internet, mail order catalogs, direct mail advertising, catering and through other distribution methods; (iv) market on the Internet and use the Chronic Tacos Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) deliver and cater and/or license to other Taco Restaurants or third parties to deliver and cater at any location within or outside of the Protected Area without compensation to Franchisee, and to establish a delivery and Catering Services policies in the future which may restrict the delivery and Catering Services jurisdiction of Franchisor or of any Chronic Tacos Franchisees; (vi) develop, own or operate and to grant licenses or franchises to third parties to develop, own or operate Chronic Tacos Restaurants at Non-Traditional Venues within and outside of the Protected Area regardless of their proximity to the Taco Restaurant; (vii) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Chronic Tacos Restaurants and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (viii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Chronic Tacos Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (ix) engage in all other activities that this Agreement does not expressly prohibit.

3. INITIAL AND RENEWAL TERMS.

3.1 Initial Term. The Initial Term shall commence on the Effective Date and shall expire on the Expiration Date. If Franchisee does not elect to renew the Initial Term under Section 3.2, this Agreement shall expire on the Expiration Date.

3.2 Renewal Right. Upon the expiration of the Initial Term, Franchisee shall have the right (the "Renewal Right") to enter into a new franchise agreement in the form then generally being offered to prospective Taco Restaurant franchisees (the "Renewal Franchise Agreement") for the Renewal Term. The Initial Franchise Fee, the Continuing Royalty Fees and the Advertising Fees payable by Franchisee during the Renewal Term shall be identical to the Initial Franchise Fee, the Continuing Royalty Fees and the Advertising Fees payable by new Taco Franchisees under their Taco Franchise Agreements. If Franchisee desires to exercise the Renewal Rights, Franchisee shall, no later than eighteen (18) months prior to the Expiration Date, notify Franchisor in writing (the "Renewal Notice") that Franchisee desires to extend the Initial Term for the duration of the Renewal Term. If Franchisee exercises the Renewal Rights, this Agreement shall terminate on the Renewal Term Expiration Date. This Agreement is not otherwise renewable.

3.3 Conditions to Renewal. The Initial Term may be renewed by Franchisee only if all of the following conditions precedent are satisfied prior to the Expiration Date: (i) Franchisee shall have fully performed all of

its obligations under this Agreement, any Area Development Agreement and all other agreements binding Franchisor and Franchisee and shall be in Good Standing on the date of the Renewal Notice, on the date of Franchisor's execution of the Renewal Franchise Agreement and on the Expiration Date; (ii) Franchisee shall, prior to the commencement date of the Renewal Term, undertake and complete at its expense, the remodeling, renovation, modernization, or refurbishing of the Franchised Location and the Taco Restaurant to comply with Franchisor's Then-Current specifications and standards for new Taco Restaurants; (iii) Franchisee shall not have committed three (3) or more material Defaults during any eighteen (18) month period during the Initial Term which were subject to notices of Default issued by Franchisor, whether or not the Defaults were cured; (iv) Franchisee continues to comply with the terms and conditions of this Agreement; (v) Franchisee shall have satisfied Franchisor's Then-Current qualifications and training requirements; (vi) Franchisee shall have executed and delivered to Franchisor a General Release; (vii) Franchisee shall have executed and delivered to Franchisor a General Release, (viii) Franchisee shall have paid Franchisor a renewal fee of \$5,000 when Franchisee issues the Renewal Notice to Franchisor; (ix) Franchisee has executed the Renewal Franchise Agreement and delivered it to Franchisor; and (x) each Owner and each Owner's spouse of Franchisee shall have executed and delivered to Franchisor a personal guarantee, in a form then satisfactory to Franchisor, jointly and severally guaranteeing Franchisee's performance of its obligations under the Renewal Franchise Agreement.

3.4 Renewal Procedures. Following the expiration of any waiting periods required by Applicable Law and no more than thirty (30) days after Franchisee receives franchise disclosure document, if applicable, and the execution copies of the Renewal Franchise Agreement, Franchisee shall execute the copies of the Renewal Franchise Agreement and return them to Franchisor. If Franchisee has exercised the Renewal Right in accordance with Section 3.2 and satisfied all of the conditions in Section 3.3 and this Section 3.4, Franchisor shall execute the Renewal Franchise Agreement. If Franchisee fails to perform any of the acts, or deliver any of the notices required under this Article 3 in a timely fashion, the failure to do so shall be deemed an election by Franchisee not to exercise the Renewal Right and shall automatically cause the Renewal Right to lapse and expire.

3.5 Notice Required by Law. If Applicable Law requires Franchisor to give notice to Franchisee prior to the expiration of the Initial Term, this Agreement shall remain in effect on a week-to-week basis until Franchisor has given the notice required by Applicable Law. If Franchisor is not offering new franchises, is in the process of revising, amending or renewing its form of franchise agreement or franchise disclosure document, or is not lawfully able to offer Franchisee its Then-Current form of franchise agreement, at the time Franchisee delivers its Renewal Notice, Franchisor may, at its discretion, (i) offer to renew this Agreement upon the same terms set forth in this Agreement for a renewal term determined in accordance with Section 3.2, or (ii) offer to extend the Term on a week-to-week basis following the expiration of the Term for as long as it deems necessary or appropriate so that it may lawfully offer its Then-Current form of franchise agreement.

3.6 Month-to Month Agreement. If Franchisee does not sign Franchisor's Then-Current Franchise Agreement prior to the Expiration Date and Franchisee continues to accept the benefits of this Agreement after it expires, then at Franchisor's option, this Agreement may be treated either as (i) expired as of the Expiration Date 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 ("Month-to-Month Agreement") until one party provides the other with written notice of such party's intent to terminate the Month-to-Month Agreement, in which case the Month-to-Month Agreement will terminate thirty (30) days after receipt of the notice to terminate the Month-to-Month Agreement, or such longer notice period as is required by Applicable Law. In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Month-to-Month Agreement as if this

Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Month-to-Month Agreement.

4. FEES.

4.1 Initial Franchise Fee. On the Effective Date, Franchisee shall pay Franchisor the Initial Franchise Fee in the manner provided in Section 4.4. The Initial Franchise Fee shall be non-refundable, in whole or in part, when paid.

4.2 Continuing Royalty Fees and Other Payments. Franchisee shall pay Franchisor, in accordance with Section 4.5, a weekly royalty fee equal to the greater of six percent (6%) of the Gross Sales of the Taco Restaurant or \$600 (the "Continuing Royalty Fee"). Continuing Royalty Fees shall be paid on Wednesday of each week on the Gross Sales of the Taco Restaurant during the preceding week. Each payment shall be accompanied by a statement of Gross Sales for the preceding calendar week, certified as complete and accurate by the Principal Owner. Franchisee shall also promptly pay Franchisor and its Affiliates, as applicable, when due (i) all amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever, and (ii) all amounts due to Franchisor or its Affiliates for purchases of Chronic Tacos Branded Products and Chronic Tacos Proprietary Products by Franchisee.

4.3 Advertising Fees. Franchisee shall contribute to the Chronic Tacos advertising fund (the "Chronic Tacos Advertising Fund") each week during the Initial Term an advertising fee (the "Advertising Fee") equal to the greater of two percent (2%) of the Gross Sales of the Taco Restaurant or \$100; however, Franchisor may, at any time during the Initial Term, upon ninety (90) days' prior notice to Franchisee, increase the amount of the Advertising Fee to no more than three percent (3%) of Gross Sales or \$300 per week. Franchisee shall pay the Advertising Fee to Franchisor on or before Wednesday of each week based upon the Gross Sales of the Taco Restaurant during the preceding week. In addition, Franchisor may, from time to time, offer Franchisee the opportunity to purchase point of sale advertising material, posters, flyers, product displays, templates and other promotional materials for the Taco Restaurant at Franchisor's direct costs for the same. Franchisee shall pay the Advertising Fees to Franchisor in the manner provided in Section 4.5.

4.4 Interest and Charges for Late Payments. If Franchisee fails to pay any amount due to Franchisor under this Agreement by the date payment is due, or if any electronic payment is unpaid because of insufficient funds or otherwise, Franchisee shall additionally be obligated to pay, as a late charge, the sum of \$200. Additionally, Franchisee shall pay interest on the amount outstanding at the rate of one and one-half percent (1.5%) per month (but not to exceed the maximum legal rate of interest) imposed from the date payment was due until the entire sum and late charge is paid in full. This Section 4.4 does not constitute an agreement by Franchisor to accept any payment after the date payment is due or a commitment by Franchisor to extend credit to, or otherwise finance, Franchisee, and Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement notwithstanding this Section 4.4.

4.5 Manner of Payment. Franchisee shall pay the Initial Franchise Fee, Continuing Royalty Fees and Advertising Fees to Franchisor from Franchisee's bank account by electronic funds transfer ("EFT") or other automatic payment mechanism that Franchisor may designate. Promptly upon Franchisor's request, Franchisee shall execute or re-execute and deliver to Franchisor all pre-authorized check forms and other instruments or drafts required by Franchisor's bank, payable against Franchisee's bank account, to enable Franchisor to draw Franchisee's Continuing Royalty Fees, Advertising Fee and other sums payable under the

terms of this Agreement. Franchisee shall maintain a single bank account for all EFT payments and shall maintain such minimum balance in this account in the amount that Franchisor may reasonably specify from time to time. Franchisee shall not alter or close this account except with Franchisor's prior written approval. Any failure by Franchisee to implement an EFT system in strict accordance with Franchisor's instructions shall constitute a material default of this Agreement.

4.5.1 All payments by Franchisee shall be made in US Dollars free and clear of any tax, deduction, offset or withholding of any kind. Franchisee shall register for and collect and report sales tax in compliance with all Applicable Laws. All taxes and penalties thereon, presently or in the future levied in the Protected Area on the payments due to Franchisor under this Agreement shall be fully borne by Franchisee.

4.5.2 If Franchisee or any other person is required by Applicable Law to make any deduction or withholding on account of tax or other amount from the payments paid or payable to Franchisor under this Agreement, Franchisee shall pay any such tax or other amount before the date on which a penalty for nonpayment or late payment attaches. Payment of such tax, levy, duty or assessment is to be made (if the liability to pay is imposed on Franchisee) for Franchisee's own account or (if the liability to pay is imposed on Franchisor or Franchisor's Affiliate) on behalf of and in the name of Franchisor or Franchisor's Affiliate, as the case may be. The payments made by Franchisee that are the subject of the relevant deduction, withholding or payment (including any penalties) will be increased to the extent necessary to ensure that, after the making of the deduction, withholding or payment of such tax, levy, duty or assessment, Franchisor or Franchisor's Affiliate receives on the due date and retains (free from any liability in respect of the deduction, withholding or payment) a sum equal to the amount Franchisor or Franchisor's Affiliate, as the case may be, would have received and retained had no such deduction, withholding or payment been required or made.

4.5.3 Franchisee shall immediately furnish to Franchisor or Franchisor's Affiliate, as the case may be, certified receipts of the payment of any deduction, withholding or payment made, on its account or Franchisor's account. Franchisee shall indemnify Franchisor and hold Franchisor harmless from any claims for any taxes described in this [Section 4.5](#), including any claims occasioned by Franchisee's failure to withhold any taxes imposed by any Governmental Authority on amounts payable by Franchisee pursuant to [Section 2.3](#) and this [Section 4.5.3](#), and for any liability (including penalties, interest and expenses) arising from or concerning the payment of such taxes.

4.6 Application of Funds. If Franchisee shall be delinquent in the payment of any obligation to Franchisor hereunder, or under any other agreement with Franchisor, Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligation owed, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to application.

4.7 Security Interest. Franchisee hereby grants Franchisor a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Taco Restaurant, now or hereafter acquired by Franchisee, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of the assets, all rights of Franchisee to use the Chronic Tacos Marks, trade names, trade styles, patents, copyrights and their registrations, Trade Secret information and other proprietary rights, and all rights granted, owned or licensed to Franchisee under this Agreement for the use of the Chronic Tacos Marks, trade names, trade styles, patents, copyrights, Trade Secret information and other proprietary rights, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, from Franchisee to Franchisor. Franchisee hereby authorizes

Franchisor to, prepare and file all Uniform Commercial Code (and comparable) financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code wherever applicable. If Franchisee is in Good Standing under this Agreement and all other agreements between Franchisor or its Affiliates, and Franchisee, Franchisor shall, upon request of Franchisee, execute a written subordination of its security interest to lenders providing equipment or other financing for the Taco Restaurant. If Franchisee is in Default of any of the terms and conditions of this Agreement, Franchisor may, at its discretion, exercise its rights with respect to its security interest. In that event, Franchisee shall remain liable for any deficiency remaining due to Franchisor and shall be entitled to recover any surplus which results after the application of the proceeds derived from the enforcement of the security interest.

4.8 Gross-Up Fees. To ensure that Franchisor receives the greater of a full six percent (6%) of the Gross Sales of the Taco Restaurant or \$600 as a Continuing Royalty Fee and the full Advertising Fee to which Franchisor may be entitled, as the amount thereof may vary from time to time, Franchisee shall pay Franchisor, upon demand, whether in arrears, in advance, in a lump sum or in the same manner as Continuing Royalty Fees and Advertising Fees are paid to Franchisor, the amount of all taxes paid by Franchisor to any Governmental Authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the Governmental Authority's domain during each of Franchisor's fiscal years throughout the entire term of this Agreement. Further, if state or local law in the state in which the Taco Restaurant is located prohibits or restricts in any way Franchisee's ability to pay and Franchisor's ability to collect Continuing Royalty Fees or other amounts due to Franchisor based on revenue derived from the sale of alcoholic beverages at the Taco Restaurant, Franchisor shall reset the amount of the Continuing Royalty Fees or other sums payable to Franchisor under this Agreement and redefine Gross Sales to exclude the payment of Continuing Royalty Fees on revenue derived from the sale of alcoholic beverages to an amount that will have the same basic economic result for both Franchisor and Franchisee.

4.9 Technology Fee. Franchisee must pay the Technology Fee to Franchisor each week, in the manner set forth in Section 4.5, for Franchisor's costs to support and maintain Chronic Tacos' POS System, loyalty program, and online ordering system, and to develop and maintain online management platforms and corporate intranet, including a trading platform and marketing portal. Franchisor may raise the Technology Fee up to \$200 per week upon 30 days' written notice to Franchisee.

5. FRANCHISED LOCATION, CONSTRUCTION AND OPENING FOR BUSINESS.

5.1 Franchised Location. The Taco Restaurant shall be located at the Franchised Location. If the address of the Franchised Location has not been inserted in the blank space in Article 1, "Definitions", on the Effective Date, Franchisee shall, within ninety (90) days after the Effective Date, locate one or more proposed sites that meet Franchisor's Then-Current standards and specifications. Franchisee shall submit to Franchisor all demographic and other information regarding a proposed site and neighboring areas that Franchisor shall require. Franchisor shall accept or reject a proposed site for the Taco Restaurant within thirty (30) days after Franchisor receives all of the information that Franchisor requires to evaluate the site. Following Franchisor's approval of a site, Franchisee shall promptly negotiate a Lease for the site and shall submit a copy of the proposed Lease to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.2 have been included in the proposed Lease and/or that the Landlord and Franchisee have executed an Option to Obtain Lease Assignment in the form specified by Franchisor. Franchisee shall not enter into any Lease for a site unless and until Franchisor has approved the site and the Lease in writing. Following

Franchisee's execution of the Lease for the Franchised Location, Franchisor and Franchisee shall complete and execute Exhibit A to identify the Franchised Location. Franchisee shall identify the site for the Franchised Location and obtain a fully executed Lease for the site no later than one hundred eighty (180) days after the Effective Date. Franchisor may voluntarily, and without obligation, assist Franchisee in selecting an acceptable site for the Franchised Location. Franchisee acknowledges its sole responsibility for finding the Franchised Location.

5.2 Lease for Franchised Location. Franchisee shall not create any obligations on Franchisor's behalf or grant the Landlord any rights against Franchisor, or agree to any term, condition or covenant in the Lease which is inconsistent with any provision of this Agreement. Franchisee shall deliver a fully executed copy of the Lease to Franchisor promptly following its execution, in the form and on the terms previously accepted by Franchisor, without further request by Franchisor. The Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of the Lease that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent, (ii) Franchisor shall have the right (but not the obligation) to succeed to Franchisee's rights under the Lease if Franchisee fails to exercise any option to renew, and or extend the term of the Lease, (iii) upon Franchisee's Default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease, (iv) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Franchisee and the Landlord, (v) Franchisee shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any franchisee or licensee approved by Franchisor, (vi) Franchisor shall have the right to enter the Franchised Location to remove all of the Chronic Tacos Marks from the Franchised Location and modify the decor of the Franchised Location so that it no longer resembles, in whole or in part, a Taco Restaurant if Franchisee fails to do so, and (vii) upon any renewal of the Lease, Franchisor and Landlord will cooperate with each other and use reasonable best efforts to adjust the expiration dates of both the renewal Lease and this Agreement or Renewal Franchise Agreement, as applicable, so that the term of the renewal Lease will expire contemporaneously with the expiration of the Term of this Agreement or Renewal Franchise Agreement, as applicable. If Franchisor elects to succeed to Franchisee's rights under the Lease, Franchisee shall assign to Franchisor all of its right, title and interest in and to the Lease and take all further action that Franchisor, at its sole and absolute discretion, may deem necessary or advisable to effect the assignment within ten (10) days after written demand by Franchisor to do so. Franchisor may voluntarily (without obligation) assist Franchisee in locating an acceptable site for the Taco Restaurant. Franchisor's acceptance of any proposed Lease is based solely on Franchisor's own interests. Franchisee acknowledges and agrees that although Franchisor may consult with Franchisee regarding the terms of a Lease and the negotiations with a Landlord, it is Franchisee's sole responsibility to negotiate, review and approve the Lease or purchase agreement for the Taco Restaurant.

5.3 Construction; Design Fee. Franchisor shall make available, at no charge to Franchisee, standard architectural plans and specifications for a prototype Taco Restaurant, including exterior and interior design and layout, fixtures, furnishings, and signs. Immediately after signing the Lease, before commencing any renovation or construction, Franchisee shall pay Franchisor's approved architect a design fee that will range from \$15,000 to \$18,000, depending on the size of the Taco Restaurant. Franchisee shall then cooperate with a designer, architect, and engineer as necessary to finalize architectural and engineering drawings and specifications of the Taco Restaurant that are in accordance with Franchisor's standard architectural plans and specifications for a prototype Taco Restaurant, and which conform to the characteristics of the Franchised Location. Franchisee shall submit the final drawings and specifications to Franchisor within forty-five (45) days after Franchisee obtains possession of the Franchised Location. Franchisor shall review and accept or reject the drawings and specifications within fifteen (15) days after receiving them from Franchisee. Franchisee

shall, at its own expense, obtain all zoning classifications, Permits, and clearances for construction and shall, subject only to Force Majeure, complete construction of the Taco Restaurant within three hundred sixty five (365) days after the Effective Date. Franchisee shall notify Franchisor of the anticipated construction completion date and, within a reasonable time after construction is completed Franchisor shall have the right, but not the obligation, to conduct a final inspection of the Taco Restaurant.

5.4 Open for Business. The Taco Restaurant shall Open For Business no later than three hundred sixty five days (365) days after the Effective Date, unless Franchisor extends the date for the required Opening of the Taco Restaurant in writing or the Opening Date is otherwise set forth pursuant to an applicable Development Agreement with Franchisor. Franchisor shall not unreasonably withhold its consent to Franchisee's request for additional time to Open the Taco Restaurant. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, Franchisee shall not Open the Taco Restaurant without the express written authorization of Franchisor, which authorization may be conditioned upon Franchisee's strict compliance with the specifications of the approved final plans and Chronic Tacos System standards, completion of the Pre-Opening Initial Training Program by the Principal Owner and the Restaurant Manager and Franchisee's compliance with staffing and other requirements. Franchisee shall Open the Taco Restaurant for business following receipt of a temporary or permanent certificate of occupancy and no more than ten (10) days after receipt of Franchisor's written authorization to Open.

5.5 Relocation of Taco Restaurant. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, Franchisee may not relocate the Taco Restaurant without Franchisor's prior written consent. Franchisee shall pay Franchisor a Relocation Fee when Franchisee requests Franchisor's consent to a relocation of the Taco Restaurant. Franchisee shall submit to Franchisor in writing the materials Franchisor requires to consider Franchisee's request, including information concerning the proposed new location. Franchisor's consent, which shall not be unreasonably withheld, is conditioned on one or more of the following circumstances: (i) the population or demographics in the Protected Area have changed substantially since the Opening Date of the Franchised Location; (ii) the Taco Restaurant has suffered irreparable damage or destruction and cannot be repaired within sixty (60) days; or (iii) any other condition leading Franchisee and Franchisor to believe that continued operation of the Taco Restaurant at the Franchised Location will not be profitable. If Franchisor consents to a relocation, Franchisee shall de-identify the former Franchised Location in the manner described in Section 17.1 and shall reimburse and indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorneys' fees, arising out of Franchisee's failure to do so. If Franchisor consents to a relocation of the Taco Restaurant during the Term, Franchisee shall have twelve (12) months from the date of Franchisor's approval of the new Franchised Location to secure the new Franchised Location and to Open and operate the Taco Restaurant at the new Franchised Location. Once Franchisee has identified the new Franchised Location, Franchisor has approved it, and the Lease has been submitted to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.2 have been included in the proposed Lease and/or that the Landlord and Franchisee have executed an Option to Obtain Lease Assignment in the form specified by Franchisor, Franchisor will prepare an addendum to Exhibit A to designate the Franchised Location and will provide the addendum to Franchisee. If Franchisee fails to secure the new Franchised Location within twelve (12) months of the date of Franchisor's approval of the new Franchised Location, Franchisor, at its discretion, may extend the time for Franchisee to do so; however, Franchisor shall then have the right to estimate and bill Franchisee for Continuing Royalty Fees for the time period following the expiration of the twelve (12) month period (a "Relocation Assessment") based upon the Continuing Royalty Fees received for the Taco Restaurant during the identical periods of the last preceding calendar year plus an

additional ten percent (10%) of such amount or, if the Taco Restaurant was not in operation during the identical period of the last preceding year, a Relocation Assessment based upon the average Continuing Royalty Fees paid during the number of months the original Taco Restaurant was in operation plus an additional ten percent (10%) of that amount.

6. OBLIGATIONS OF FRANCHISOR.

6.1 Pre-Opening Initial Training Program. Franchisor shall provide a pre-opening initial training program in the System and methods of operation (the "Pre-Opening Initial Training Program") at Franchisor's training facilities in Franchisor's corporate office or affiliate owned Taco Restaurants currently located in Southern California, for up to two (2) supervisory or managerial personnel of Franchisee selected by Franchisee who shall be the Principal Owner and the Restaurant Manager. Portions of the Pre-Opening Initial Training Program may be held at the Franchised Location. Franchisee shall attend and complete to Franchisor's satisfaction the Pre-Opening Initial Training Program. If the Taco Restaurant is the first Taco Restaurant to be operated by Franchisee, Franchisor shall provide training, instructors, a training manual, and other materials at no charge to Franchisee. The Pre-Opening Initial Training Program will consist of approximately three (3) to four (4) weeks of training at Franchisor's training facilities and two (2) to three (3) weeks at the Franchised Location prior to the opening of the Taco Restaurant and must be completed before that Taco Restaurant Opens for business. Franchisor shall not be obligated to provide any initial training or the Pre-Opening Initial Training Program to Franchisee if Franchisee, Franchisee's Affiliates or Franchisee's Owners own a Taco Restaurant as of the Effective Date, or if this Franchise Agreement is executed as a renewal Franchise Agreement. However, Franchisor may, upon Franchisee's request, and if Franchisor determines, in its sole determination, that it is necessary, provide Franchisee with one to two (1 - 2) weeks of initial training in such circumstances. Franchisee shall pay all travel, lodging, compensation, and other expenses, if any, incurred by Franchisee and/or Franchisee's supervisory or managerial employees to attend the Pre-Opening Initial Training Programs. Franchisee may not open the Taco Restaurant until the Pre-Opening Initial Training Program has been completed to the satisfaction of Franchisor and Franchisee's management team has been certified by Franchisor. Franchisor shall determine the contents and manner of conducting the Pre-Opening Initial Training Program at its discretion, however, the Pre-Opening Initial Training Program will be structured to provide practical training in the implementation and operation of a Taco Restaurant and may include such topics as on-site food preparation, portion control, preparation and cooking procedures, packaging procedures, Chronic Tacos standards, marketing and customer service techniques, reports and equipment maintenance. Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Taco Restaurant, Franchisor, at its sole discretion, shall determine if Franchisee, the Owner or the Restaurant Manager has satisfactorily completed the Pre-Opening Initial Training Program.

6.2 Post-Opening Additional Initial Training Programs. Following the Opening Date of the Taco Restaurant, Franchisor may, at Franchisee's request and at Franchisor's discretion, provide additional Initial Training Programs ("Post-Opening Additional Initial Training Programs") for new or replacement supervisory or managerial personnel of Franchisee. If the Post-Opening Additional Initial Training lasts for more than one (1) week, Franchisee shall pay Franchisor its Then-Current Daily Fee for each of Franchisor's representatives that provides the Post-Opening Additional Initial Training Programs to defray Franchisor's direct costs to provide the training. In addition, Franchisee shall pay all transportation costs, food, lodging and similar expenses incurred in connection with attendance at the Post-Opening Initial Training Programs.

6.3 Post-Opening Additional Training Programs. Franchisor may, from time to time during the Term (i) require the Principal Owner and each Restaurant Manager and/or other supervisory or managerial personnel of Franchisee to attend, or (ii) make available to the Principal Owner and each Restaurant Manager, and/or other supervisory or managerial personnel of Franchisee additional and remedial training programs (“Additional Training Programs”), at Franchisor’s discretion. If the Post-Opening Additional Training lasts for more than one (1) week, Franchisee shall pay Franchisor its Then-Current Daily Dee for each of Franchisor’s representatives that provides the Post-Opening Additional Training Programs to defray Franchisor’s direct costs to provide the training. In addition, Franchisee shall pay all transportation costs, food, lodging and similar costs incurred in connection with attendance at the Additional Training Programs.

6.4 Post-Opening On-Site Opening Assistance. Franchisor shall furnish, at no cost to Franchisee, a two (2) person opening assistance team experienced in the Chronic Tacos System (the “Opening Assistance Team”) to assist Franchisee for up to one (1) week before and two (2) weeks after the Opening Date of Franchisee’s first Taco Restaurant. The Opening Assistance Team shall serve only as consultants to Franchisee and shall not be responsible (personally or on behalf of Franchisor) for the operation of the Taco Restaurant or the actions of Franchisee’s employees during this time. If the Opening Assistance Team remains at the Taco Restaurant for more than two (2) weeks after the Opening Date of Franchisee’s first Taco Restaurant, or Franchisee requests Franchisor to provide Franchisee with an Opening Assistance Team for Franchisee’s second or subsequent Taco Restaurants, Franchisee shall pay Franchisor its Then-Current daily fee to defray Franchisor’s direct costs to provide the Opening Assistance Team. In addition, Franchisee shall pay all transportation costs, food, lodging and similar costs incurred for the Opening Assistance Team.

6.5 Manuals. Franchisor will provide Franchisee with access to one copy of its current Manuals during the Term of this Agreement, which may change from time to time. The Manuals are, and at all times shall remain Franchisor’s sole property and shall promptly be returned to Franchisor upon expiration, termination or an Assignment of this Agreement. If Franchisee misplaces the Manuals or fails to return the manuals to Franchisor upon demand, Franchisee shall pay Franchisor the sum of \$500 as a manual replacement fee. Franchisee shall treat all information contained in the Manuals as Confidential Information and shall use all reasonable efforts to keep the information confidential. Franchisee shall not, without Franchisor’s prior written consent, copy, duplicate, record or otherwise reproduce the Manuals, in whole or in part, or otherwise make them available to any person not required to have access to their contents in order to carry out their employment functions. The Manuals contain both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the Chronic Tacos System and Franchisee’s obligations under this Agreement. The Manuals, as modified by Franchisor from time to time, are an integral part of this Agreement and all provisions now or hereafter contained in the Manuals or otherwise communicated to Franchisee in writing are expressly incorporated into this Agreement by this reference and made a part of this Agreement. Franchisee shall comply with all mandatory requirements now or hereafter included in the Manuals, and acknowledges and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination. Franchisor reserves the right to modify the Manuals from time to time to reflect changes that it may implement in the mandatory and recommended specifications, standards and operating procedures of the Chronic Tacos System. Franchisee shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Franchisor.

6.6 Post Opening Consultation. Franchisor may provide regular consultation and advice to Franchisee in response to Franchisee’s inquiries about specific administrative and operating issues that Franchisee brings to Franchisor’s attention including, without limitation, mandatory and recommended specifications,

standards and operating procedures of the Chronic Tacos System. Franchisor's consultation and advice may be provided by telephone, in writing, electronically, in person, or by other means, and shall be provided by Franchisor to Franchisee at Franchisee's expense. In addition to any charges Franchisor may impose, Franchisee shall also pay all transportation costs, food, lodging and similar costs that may be incurred by Franchisor to provide these services. Franchisee acknowledges and agrees that the results of Franchisee's efforts to operate a Taco Restaurant rest solely with Franchisee. Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone shall establish all requirements, consistent with the policies of Franchisor, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee will offer and sell its products and services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Taco Restaurant for which Franchisor has not established Chronic Tacos Approved Suppliers.

6.7 Post-Opening Inspection. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, Franchisor's authorized representatives shall have the right, but not the obligation, from time to time, to enter the Taco Restaurant during business hours, to examine the Taco Restaurant, to confer with Franchisee's supervisory or managerial personnel, inspect and check operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures and equipment, and determine whether the Taco Restaurant is being operated in accordance with this Agreement, the Chronic Tacos System and the Manuals. Franchisor and its authorized representatives shall use reasonable efforts to avoid materially disrupting the operation of the Taco Restaurant during an inspection. If any inspection indicates any deficiency or unsatisfactory condition at the Taco Restaurant, Franchisor will notify Franchisee in writing of the deficiencies and Franchisee shall promptly correct, remedy or repair the same. In addition, if any inspection indicates any deficiency or unsatisfactory condition which requires a re-inspection of the Taco Restaurant within a period of thirty (30) days, Franchisee shall pay Franchisor, upon demand, the sum of \$500 for each re-inspection of the Taco Restaurant and shall, in addition, reimburse Franchisor for its out-of-pocket expenses for the re-inspection, including for transportation costs, food, lodging and similar costs. In addition, Franchisor may, at its sole discretion, contract with a third party to conduct sanitation and food safety audits of the Taco Restaurant periodically throughout the Term, but no less than once per calendar year.

6.8 Virtual Training, Assistance and Inspections. Franchisor may provide any or all portions of the Pre-Opening Initial Training Program, Post-Opening Additional Initial Training Programs, additional and remedial training programs, pre and post-opening on-site opening assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by Franchisor.

6.9 Assignment. Upon the occurrence of an Assignment, the Proposed Buyer must be trained by Franchisor as a condition to the granting of Franchisor's consent to the Assignment. All costs for this training shall be included in the administrative/transfer fee payable by Franchisee in accordance with Section 17.1. The Taco Restaurant shall not be transferred, Opened, or re-Opened by the Proposed Buyer until Franchisor accepts the Proposed Buyer in writing as certified to operate the Taco Restaurant and Franchisor has otherwise consented to the Assignment in accordance with this Agreement.

6.10 Franchisee Advisory Council and Selection. Franchisor may elect to form a franchise advisory council (the "Council") to provide advice and suggestions regarding specified matters to Franchisor. The Council shall consist of The Chronic Tacos franchisees selected by Franchisor ("Franchisee Members"). All Franchisee Members must be in Good Standing. Franchisor may select Franchisee Members from any national

or international regions in which that Franchisee Member resides or does business. The Franchisee Members need not be from different regions. The Council may also consist of a designated number of Franchisor's corporate employees and/or members of a public relations firm selected by Franchisor. The purpose of the Council is to provide constructive, open and two-way communications between The Chronic Tacos franchisees and Franchisor. In particular, the Council will provide a cooperative forum for the Council members to receive and discuss information, to provide input, advice and planning regarding various limited and specified matters and to encourage each franchise owner to remain in Good Standing as the Chronic Tacos System grows and develops through fostering communications between Chronic Tacos franchisees and Franchisor. While Franchisor is not required to do so, except as specified in this Agreement, if Franchisor submits any matters for approval to the Council and approval is granted, the approval will be binding on Franchisee. Notwithstanding the forgoing, Franchisor shall have the right to make the final decision on all matters considered by the Council.

6.11 Toll Free Telephone Number. Franchisor has the right, but not the obligation, to establish and maintain a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If Franchisor establishes a toll free number, Franchisee shall comply with Franchisor's procedures for implementing the nationwide service as Franchisor specifies in the Manuals or otherwise in writing.

6.12 Delegation of Duties. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.

7. OBLIGATIONS OF FRANCHISEE.

To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same:

7.1 Chronic Tacos System. Franchisee shall operate the Taco Restaurant in compliance with the terms of this Agreement and the Manuals. Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Taco Restaurant, including over Franchisee's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Chronic Tacos System with which Franchisee must comply under this Agreement, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Taco Restaurant, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising Franchisee's control over the day-to-day operations of the Taco Restaurant consistent with the policies of Franchisor. Franchisee shall comply with Franchisor's standards and shall operate the Taco Restaurant in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise. Franchisee shall comply, at Franchisee's expense, with all modifications prescribed by Franchisor and shall implement changes to the Chronic Tacos System within the time periods specified by Franchisor following Franchisee's receipt of notice from Franchisor to do so. Franchisee shall refrain from deviating from the methods, standards, and specifications without Franchisor's prior written consent and from otherwise operating in any manner which reflects adversely on the Chronic Tacos Marks or the Chronic Tacos System. Since every detail of the Chronic Tacos System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Taco

Restaurants under the Chronic Tacos System and to protect the Chronic Tacos Marks and reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, the Chronic Tacos System suggested by Franchisee that is reasonably likely to have an adverse material effect on the Chronic Tacos System, the Chronic Tacos Marks or Franchisor's reputation or goodwill.

7.2 Pre-Opening Initial Training Program. Franchisee shall attend and complete to Franchisor's satisfaction the Pre-Opening Initial Training Program, and Franchisee's supervisory or managerial personnel may also attend the Pre-Opening Initial Training Program. If Franchisee (i) fails to complete the Pre-Opening Initial Training Program within six (6) months after the Effective Date; (ii) does not complete the Pre-Opening Initial Training Program to Franchisor's satisfaction; (iii) does not, during the Pre-Opening Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the Chronic Tacos System or this Agreement or; (iv) is not acceptable to become a franchisee of Franchisor for any reason whatsoever, at Franchisor's sole and absolute discretion, Franchisor may terminate this Agreement upon five (5) days' written notice to Franchisee and this Agreement shall thereafter be of no further force or effect. Franchisor shall have the right to retain the Initial Franchise Fee. Franchisor and Franchisee acknowledge and agree that the actual damages to be suffered by Franchisor in this circumstance are difficult, if not impossible, to determine, and that, under all the facts and circumstances, this calculation of Franchisor's potential damages and retention of the Initial Franchise Fee by Franchisor, are a reasonable, good-faith estimate of those damages.

7.3 Post-Opening On-Site Opening Assistance. Franchisee shall notify Franchisor at least thirty (30) days in advance of the scheduled date (the "Turnover Date") that (i) all construction and remodeling of the Franchised Location will be completed; (ii) Franchisee will have all permits necessary to Open the Taco Restaurant; and (iii) Chronic Tacos Restaurant is ready for turn-over by the general contractor to Franchisee, to allow Franchisor to schedule a date for Franchisor's on-site opening assistance for Franchisee's first Chronic Tacos Restaurant. Franchisor will provide Franchisee with a turnover checklist approximately fourteen (14) days before the scheduled Turnover Date and will schedule a conference call with Franchisee approximately eight (8) days before the scheduled Turnover Date to confirm the Turnover Date so that Franchisor may book travel arrangements for its representatives who will provide the on-site opening assistance. Approximately three (3) days before the scheduled Turnover Date, Franchisor will schedule a final conference call with Franchisee to confirm the Turnover Date and the date on which Franchisor's representatives will arrive at Chronic Tacos Restaurant. If, after the final conference call, the Turnover Date is delayed or accelerated by more than two (2) days from the date specified during the conference call, Franchisee shall reimburse Franchisor for any and all costs and expenses incurred by Franchisor to change the travel arrangements for its representatives who were scheduled to provide post-opening on-site opening assistance.

7.4 Post-Opening Additional Initial Training Programs. If, following the Opening Date of the Taco Restaurant, Franchisee requests Franchisor to provide Additional Initial Training Programs for new or replacement supervisory or managerial personnel and Franchisor agrees to do so, and the Additional Initial Training lasts for more than one (1) week, Franchisee shall pay Franchisor its Then-Current Daily Fee for each of Franchisor's representatives that provides the Post-Opening Additional Initial Training Programs to defray Franchisor's direct costs to provide the training. Franchisee shall pay all transportation costs, food, lodging and similar costs incurred by Franchisor and Franchisee in connection with attendance at Post-Opening Additional Initial Training Programs.

7.5 Post-Opening Additional Training Programs. Following the Opening Date of the Taco Restaurant, Franchisee, the Principal Owner and each Restaurant Manager shall attend Additional Training Programs as

required by Franchisor. If the Additional Training lasts for more than one (1) week, Franchisee shall pay Franchisor its Then-Current Daily Fee for each of Franchisor's representatives that provides the Additional Training Programs to defray Franchisor's direct costs to provide training. In addition, Franchisee shall pay all transportation costs, food, lodging and similar expenses incurred in connection with attendance at the Additional Training Programs.

7.6 Virtual Training, Assistance and Inspections. Franchisee acknowledges and agrees that Franchisor may provide any or all portions of the Pre-Opening Initial Training Program, Post-Opening Additional Initial Training Programs, additional and remedial training programs, post-opening on-site opening assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by Franchisor.

7.7 POS System and Computer Hardware and Software. Franchisee shall purchase, use and maintain a computerized point of sale cash collection system (including a POS System network router, computer, cameras and DVR, back office computer and printer and other related hardware and software) as specified in the Manuals or otherwise by Franchisor in writing for Taco Restaurant (the "POS System"). The POS System shall at all times and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, and accessing the Internet for ordering and maintaining the POS System. The POS System shall be electronically linked to Franchisor, and Franchisee shall allow Franchisor to poll the POS System on a daily or other basis at the times and in the manner established by Franchisor, with or without notice, and to retrieve transaction information including sales, menu mix, usage, and other operations data that Franchisor deems appropriate. Franchisor may require Franchisee to update, upgrade or replace the POS System, including hardware and/or software, from time to time, upon written notice, provided that Franchisee shall not be required to replace the POS System any more frequently than once every three (3) years. The POS System must include the required technology to permit Franchisee to accept online orders of Chronic Tacos products and services at the Taco Restaurant and to accept and process Chronic Tacos gift cards sold in other Taco Restaurants. In addition, Franchisee shall purchase, lease or license all computer hardware and software designated by Franchisor for the Taco Restaurant at Franchisee's expense. During the Term, Franchisee shall maintain and update all computer hardware and software as required by Franchisor and must pay a monthly fee to Auphan, a POS system provider, at Franchisee's own expense.

7.8 Product Line and Service. Franchisee shall advertise, sell and serve all and only Authorized Chronic Tacos Products at or from the Taco Restaurant. All Authorized Chronic Tacos Products shall be sold and distributed under the names designated by Franchisor and shall be prepared and served strictly in accordance with Franchisor's methods, standards, and specifications. Franchisee shall not remove any Authorized Chronic Tacos Product from Franchisee's menu without Franchisor's written consent. Franchisee shall not sell any Authorized Chronic Products outside of the Taco Restaurant or to any customer for the purpose of resale by the customer, and all sales by Franchisee shall be for retail consumption only. Subject to Applicable Law, Franchisor shall have the right to establish pricing guidelines for Authorized Chronic Tacos Products and, subject to Applicable Law, Franchisee shall comply with, and be bound by, prices which may be recommended, suggested or advertised by Franchisor.

7.9 Oversight and Management. The Principal Owner shall be responsible for oversight of the day-to-day operations of the Taco Restaurant and shall devote his full time and best efforts solely to operation of the Taco Restaurants operated by Franchisee and to no other business activities. Franchisee shall provide comprehensive initial training programs, additional training programs and remedial training programs for its Restaurant Managers and other employees and shall ensure that the Taco Restaurant is at all times under the

direct control of a Restaurant Manager or Restaurant Managers and other supervisory or managerial employees fully trained by Franchisee and solely dedicated to operation of the Taco Restaurant. Each Restaurant Manager shall have a skill level, training and experience commensurate with the demands of the position and conform in all respects with Franchisor's high standards for quality products, courteous service, and cleanliness of operations. Franchisee, its Principal Owner, and each Restaurant Manager, shall successfully complete the ServSafe® Food Safety Certification Program, or show evidence of prior ServSafe certification. Franchisor may, at its sole discretion, replace the ServSafe® Food Safety Certification Program with another food safety certification program, if deemed appropriate. Franchisee shall be responsible for all fees and material costs associated with any certification program.

7.10 Menus. The approved and authorized menu and menu formats may include, at Franchisor's discretion, requirements on organization, graphics, product descriptions, illustrations and any other matters related to the menu, whether or not similar to those listed. At Franchisor's discretion, the menu and/or menu formats may vary depending upon region, market size and other factors which affect the Taco Restaurant. Franchisor may change the menu and/or menu formats from time to time and authorize tests from region to region or within regions. Franchisee shall, upon receipt of notice from Franchisor, add, delete or update any Authorized Chronic Tacos Products to its menu according to the instructions contained in the notice. Franchisee shall have a minimum of thirty (30) days and not more than sixty (60) days after receipt of written notice in which to fully implement any menu change. Franchisee shall cease selling previously approved Authorized Chronic Tacos Products within thirty (30) days after receipt of notice that the product is no longer approved. All menus, containers, napkins, bags, cups and other packaging and like articles used at the Taco Restaurant shall conform to Franchisor's specifications, shall be imprinted with the Chronic Tacos Marks, if and as specified by Franchisor, and shall be purchased by Franchisee from a Chronic Tacos Approved Supplier.

7.11 Compliance with Applicable Law. Franchisee shall operate the Taco Restaurant as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies and shall comply with all Applicable Laws. Franchisee shall not cause or allow any part of the Taco Restaurant or the Franchised Location to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action which will cause Franchisor to be in violation of any Applicable Law. If Franchisee shall receive any notice, report, fine, test results or the like from any applicable department of health (or other similar Governmental Authority), Franchisee shall promptly send a copy of the same to Franchisor.

7.12 Hours. Subject to Applicable Law, the Taco Restaurant shall be open and operational at least ten (10) hours per day, seven (7) days per week or as otherwise prescribed by Franchisor. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible from its Franchised Location, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and sales. Franchisee must operate the Restaurant continuously throughout the Term of this Agreement.

7.13 Signs. Franchisee shall maintain approved signs and/or awnings at, on, or near the front of the Taco Restaurant, identifying the Franchised Location as a Taco Restaurants, which shall conform in all respects to Franchisor's specifications and requirements and the layout and design plan approved for the Franchised Location, subject only to restrictions imposed by Applicable Law.

7.14 Franchisee Employee Policies. Franchisee shall maintain a competent, conscientious, and trained staff and shall take all steps necessary to ensure that its employees preserve good customer relations, render competent, prompt, courteous, and knowledgeable service, and meet the minimum standards that Franchisor may establish from time to time in the Manuals or otherwise. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be the employees of Franchisor or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any Governmental Authority. Franchisee and Franchisor will each file their own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers' compensation insurance payments with respect to their respective employees and operations. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisory or managerial personnel for qualification to perform certain functions at the Taco Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and functions relating to the Taco Restaurant, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law. Franchisee shall immediately defend, reimburse and hold Franchisor harmless from any direct or indirect losses, costs and expenses, including attorneys' fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions at the Taco Restaurant, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees. Franchisee shall take all action necessary to ensure that Franchisee's employees understand and acknowledge that they are not employees of Franchisor, including, without limitation, requiring Franchisee's employees to sign a written acknowledgement that Franchisee is an independently owned and operated franchisee and their sole employer in a form specified by Franchisor in the Manuals or otherwise in writing from time to time. Franchisee shall cause all employees, while working in the Taco Restaurant, to wear uniforms of the color, design and other specifications that Franchisor may designate from time to time and to present a neat and clean appearance. If Franchisor removes a type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have ninety (90) days from receipt of written notice of removal to discontinue use of its existing inventory of uniforms and obtain and use the approved type of uniform.

7.15 Vending or Other Machines. Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Taco Restaurant.

7.16 Co-Branding. Franchisee may not engage in any co-branding in or in connection with the Taco Restaurant except with Franchisor's prior written consent. Franchisor may approve any co-branding chain or arrangement at its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within Taco Restaurants.

7.17 Customer Complaints and Cooperation. Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction. Franchisee shall use and display in the Taco Restaurant during all operating hours customer comment cards in the manner specified in the Manuals. Franchisee shall, from time to time, purchase from Franchisor or an Approved Supplier, and maintain in the Taco Restaurant, a supply of postage prepaid customer comment cards reasonably adequate to meet Franchisee's needs. Franchisee shall at all times cooperate with Franchisor and other franchisees of Franchisor and shall actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs which may be developed and implemented by Franchisor which call for the cooperation of Franchisee and other franchisees of Franchisor and shall further cooperate in any additional programs which may be established and designated by Franchisor from time to time including participating in coupon programs, the system-wide use of gift certificates and gift cards and other similar programs for the benefit of the Chronic Tacos System and shall comply with Franchisor's rules and regulations established from time to time in connection herewith. Franchisee shall cooperate with Franchisor in connection with the test marketing of products and services at the Taco Restaurant and shall comply with Franchisor's rules and regulations established from time to time in connection herewith.

7.18 Adequate Reserves and Working Capital. Franchisee shall, at all times, maintain adequate reserves and working capital sufficient for Franchisee to fulfill all of Franchisee's obligations under this Agreement and to cover the risks and contingencies of the Taco Restaurant for at least three (3) months.

7.19 Re-Imaging of Taco Restaurant. Franchisee shall at its own expense, make the alterations, additions, or modifications to the Taco Restaurant that Franchisor may reasonably require to accommodate changes made by Franchisor to the Chronic Tacos System, including, without limitation, changes to menu items or market positioning. Franchisee shall have ninety (90) days from receipt of notice from Franchisor regarding re-imaging requirements in which to make the required alterations, additions, or modifications to the Taco Restaurant.

7.20 Intranet. Franchisor does not currently operate or permit the operation of a Chronic Tacos franchisee Intranet. In the event Franchisor does establish an Intranet, Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Franchisee acknowledges that, as administrator of the Intranet, if implemented, Franchisor may access and view any communication posted on the Intranet. If Franchisor implements an Intranet, Franchisor may, at Franchisor's discretion, discontinue or terminate the Intranet at any time. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert. Franchisee shall establish and continually maintain an electronic connection with the Intranet as specified in the Manuals that allows Franchisor to send messages to and receive messages from Franchisee and pay all applicable fees per user. If Franchisee shall Default under this Agreement or any other agreement with Franchisor, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee.

7.21 Improvements. If Franchisee develops any new concept, process or improvement in the Chronic Tacos System (an "Improvement"), Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any Improvement shall become the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee hereby assigns to Franchisor any rights Franchisee may have or acquire in the Improvements, including the right to

modify the Improvement, and Franchisee waives and/or releases all rights of restraint and moral rights therein and thereto. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to any Improvement in any and all countries and further agrees to execute and provide Franchisor with all necessary documentation for obtaining and enforcing those rights. Franchisee hereby irrevocably designates and appoints Franchisor as Franchisee's agent and attorney-in-fact to execute and file any the documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property rights related to any Improvement. If the foregoing provisions of this Section 7.17 are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense to use of the Improvement to the extent the use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

7.22 Refurbishment of Taco Restaurant. At Franchisor's request, but not more often than once every five (5) years unless sooner required by the Lease, Franchisee shall refurbish the Taco Restaurant, at its own expense, to conform to the building design, trade dress, color schemes, and presentation of the Chronic Tacos Marks in a manner consistent with the then-current public image for new or remodeled Taco Restaurants, including, without limitation, replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that Franchisor may reasonably require or that may be required by Applicable Law. Franchisee's costs for the required refurbishment shall not exceed \$100,000 for the interior of the Taco Restaurant or \$50,000 for the exterior of the Taco Restaurant.

7.23 Notifications and Crisis Management Events. Franchisee shall notify Franchisor in writing within (i) twenty-four (24) hours, and confirm in writing within two (2) days thereafter, of any investigation or violation, actual or alleged, of any health, liquor or narcotics laws or regulation related to the Taco Restaurant, and (ii) five (5) days of the commencement of any investigation, action, suit, or proceeding or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other Governmental Authority which may adversely affect the operation or financial condition of the Taco Restaurant. Franchisee shall immediately inform Franchisor's President (or as otherwise instructed in the Manuals) by telephone of the occurrence of a Crisis Management Event. Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to a Crisis Management Event.

7.24 Authorization to Release Information and Use Images. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect the authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the Taco Restaurant which Franchisor may request. Franchisee further authorizes Franchisor to disclose to prospective franchisees or other third parties data from Franchisee's reports if Franchisor determines, at Franchisor's sole discretion, that the disclosure is necessary or advisable; (iii) Franchisor to photograph and film Franchisee, its employees, the public and all areas of the Franchised Location, without further authorization from, or compensation to, Franchisee and to use their images for marketing and promotion of the Franchised Location, other Chronic Tacos Franchised Locations and franchises for Chronic Tacos; (iv) Franchisor to disclose to third parties, including but not limited to Franchisee's Landlord or bank, information about Franchisee relating to Franchisee's obligations or performance under this Agreement if Franchisor determines, at Franchisor's sole discretion, that the disclosure is necessary or advisable.

7.25 Annual Franchisee Conference. Franchisor may hold an Annual Franchisee Conference for all Chronic Tacos franchisees each year. The Principal Owner and each Restaurant Manager shall attend the Annual Franchisee Conference. Franchisee shall pay Franchisor a Franchisee Conference Fee of \$500

("Franchisee Conference Fee") to reimburse Franchisor for a portion of the direct costs to provide the Annual Franchisee Conference. Franchisee shall pay the Franchisee Conference Fee upon demand at least thirty (30) days before the date of the Annual Franchisee Conference, whether or not Franchisee attends the Annual Franchisee Conference.

7.26 Credit Cards. Franchisee shall honor all credit, charge, courtesy and cash cards approved by Franchisor in writing. To the extent Franchisee shall store, process, transmit or otherwise access or possess cardholder data in connection with the sale of Authorized Chronic Tacos Products, Franchisee shall maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("PCI DSS"), currently found at www.pcisecuritystandards.org, for the protection of cardholder data throughout the Term. Franchisee shall be and remain responsible for the security of cardholder data in the possession or control of any subcontractors Franchisee engages to process credit cards. All subcontractors must be identified to and approved by Franchisor in writing prior to sharing cardholder data with the subcontractor. Franchisee shall, if requested to do so by Franchisor, provide appropriate documentation to Franchisor to demonstrate compliance with applicable PCI DSS requirements by Franchisee and all identified subcontractors.

7.27 Gift Cards, Loyalty and CRM Programs, Social Media Software, Online and Mobile Ordering. Franchisee shall not create or issue any gift certificates or gift cards and shall only sell gift certificates or gift cards that have been issued or approved by Franchisor that are accepted at all Taco Restaurants. Franchisee shall participate in all gift certificate and/or gift card administration programs as may be designated by Franchisor from time to time. Franchisee shall honor all coupons, gift certificates, gift cards and other programs or promotions as directed by Franchisor. Franchisee shall fully participate in all guest loyalty or frequent customer programs now or in the future adopted or approved by Franchisor. Franchisee shall not issue coupons or discounts of any type for use at the Restaurant except as approved by Franchisor in writing, which may be withheld at Franchisor's sole and absolute discretion. In addition, Franchisee shall purchase, enroll in or subscribe to, as applicable, all customer loyalty, CRM, social media analytics, and online and mobile ordering software or programs as specified by Franchisor in its Manual or otherwise in writing. Franchisee shall subscribe to (i) the Auphan POS support program, (ii) social media software designated by Franchisor, and (iii) software for online and mobile ordering designated by Franchisor. Franchisor reserves the right to change the designated suppliers of these or similar services at Franchisor's sole discretion. Franchisee shall change, purchase or subscribe to the additional programs or software, as applicable, immediately upon notice from Franchisor to do so.

7.28 Music and Music Selection; Television. Franchisee shall play only the music and music selections that have been approved by Franchisor as set forth in the Manuals or otherwise in writing. Franchisee shall install the equipment necessary to receive and play approved music. In addition, Franchisee shall purchase, enroll in or subscribe to, as applicable, approved music subscription services as specified by Franchisor in its Manual or otherwise in writing. Franchisor reserves the right to change approved music subscription services at any time upon ninety (90) days' notice. Franchisee shall use a television subscription service that has been approved by Franchisor as set forth in the Manuals or otherwise in writing. Franchisee shall install the equipment necessary to use the approved television subscription service. Franchisor reserves the right to change the approved television subscription service at any time upon ninety (90) days' notice.

7.29 Data Security Safeguards. Franchisee shall exert Franchisee's best efforts to protect its customers against a cyber-event, including, without limitation, a data breach or other identity theft or theft of personal

information (collectively, a “**Cyber Event**”). If a Cyber Event occurs, regardless of whether the Cyber Event affects only the Taco Restaurant, Franchisor reserves the right, but shall not have any obligation, to perform and/or control and/or cause its third-party consultants to perform and/or control all aspects of the response to the Cyber Event including, without limitation, the investigation, containment and resolution of the Cyber Event and all communications within the Chronic Tacos franchise system and with vendors and suppliers, Governmental Authorities and the general public. Franchisor’s control of the response to a Cyber Event may potentially affect or interrupt operations of the Taco Restaurant, but shall not create any liability for Franchisor or additional rights for Franchisee, entitle Franchisee to damages or relieve Franchisee of Franchisee’s indemnification obligations under Section 18.4. Franchisee shall reimburse Franchisor for all of Franchisor’s out-of-pocket costs and expenses incurred in responding to and remedying any Cyber Event caused solely by Franchisee or the Taco Restaurant. Franchisee shall at all times be compliant with (i) the NACHA ACH Security Framework; (ii) the Payment Rules; (iii) Applicable Law regarding data privacy, data security and security breaches; and (iv) Franchisor’s security policies and guidelines, all as may be adopted and/or amended from time to time (collectively, “**Data Security Safeguards**”). Franchisee shall obtain advice from Franchisee’s own legal and security consultants to ensure that Franchisee operates the Taco Restaurant at all times in full compliance with the Data Security Safeguards. Notwithstanding Franchisor’s right to perform and/or control all aspects of a response to a Cyber Event, Franchisor shall make commercially reasonable efforts to coordinate its response with Franchisee and Franchisee’s insurance carrier(s) and to cooperate with Franchisee’s insurance carrier(s) regarding insurance coverage of the Cyber Event to the extent reasonably practicable under the circumstances.

7.30 **Payment of Debts and Taxes.** Franchisee shall be solely responsible for selecting, retaining and paying Franchisee’s employees; the payment of all invoices for the purchase of goods and services used in connection with operating the Taco Restaurant and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the opening and operation of the Taco Restaurant. Franchisee shall pay all obligations and liabilities to suppliers, lessors and creditors on a timely basis. Franchisee shall indemnify Franchisor if Franchisor is held responsible for any debts owed by Franchisee if Franchisor elects to pay any of Franchisee’s obligations in order to preserve the relationship between suppliers and Chronic Taco franchisees. Franchisee shall make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, and personal property and real estate taxes arising from Franchisee’s operation of the Taco Restaurant. Franchisee shall indemnify Franchisor if Franchisor is held responsible for any of these taxes.

7.31 **Alcoholic and Non-Alcoholic Beverages.** Franchisee shall stock and maintain the types and brands of alcoholic and non-alcoholic beverages and related supplies at the Taco Restaurant as designated and approved by Franchisor in compliance with the Manuals and shall at all times comply with: (i) all Federal, state, city, local and municipal licensing, insurance and other laws, regulations and requirements applicable to the sale of alcoholic beverages by Franchisee at the Taco Restaurant; and (ii) the liquor liability insurance requirements set forth in this Agreement or otherwise provided by Franchisor in writing.

7.32 **Food Delivery Services.** Franchisee shall follow Franchisor’s delivery policies and procedures in the Manuals, which may require Franchisee to provide delivery services and/or utilize third party Food Delivery Services and restrict the areas in which Franchisee may offer delivery services as set forth in Section 2.2, and which Franchisor may change from time to time during the Term. Franchisee acknowledges that Franchisor’s delivery policies and procedures may allow other Taco Restaurants to provide delivery services in Franchisee’s Protected Area and may allow Franchisee to provide delivery services outside of Franchisee’s Protected Area.

Franchisor may require Franchisee to discontinue delivery services. Franchisee shall use the Food Delivery Service(s) with which we may have a national contract, and, in that case, Franchisee may not contract with any other delivery platform without our written approval.

7.33 Catering Services. Franchisee shall follow Franchisor's Catering Services policies and procedures in the Manuals, which may require Franchisee to provide Catering Services or may restrict the areas in which Franchisee may offer Catering Services. Franchisee acknowledges that Franchisor's Catering policies and procedures may allow other Taco Restaurants to provide Catering Services in Franchisee's Protected Area and may allow Franchisee to provide Catering Services outside of Franchisee's Protected Area. Franchisor may require Franchisee to discontinue Catering Services.

7.34 Privacy. Franchisee shall comply with all Applicable Laws pertaining to the privacy of customer, employee and transactional information ("Privacy Laws"). Franchisee shall also comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to Privacy Laws and actual Applicable Law, Franchisee shall (i) comply with the requirements of Applicable Law; (ii) immediately give Franchisor written notice of the conflict; and (iii) promptly and fully cooperate with Franchisor and Franchisor's counsel in determining the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of Applicable Law. Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent to such policy.

8. SUPPLIERS AND PRODUCTS.

To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same:

8.1 Approved Suppliers. All Chronic Tacos Branded Products, Chronic Tacos Proprietary Products and Non-Proprietary Products designated by Franchisor for use and sale at the Taco Restaurant must be purchased from Approved Suppliers. Franchisor and its Affiliates may be, but are not obligated to become, Approved Suppliers of certain Chronic Tacos Branded Products, Chronic Tacos Proprietary Products and Non-Proprietary Products and may act as the sole Approved Suppliers of certain Chronic Tacos Branded Products, Chronic Tacos Proprietary Products and Non-Proprietary Products. Franchisor may operate an Online Portal that Franchisee can use to buy Chronic Tacos Branded Products, Chronic Tacos Proprietary Products, marketing materials, handbooks and menus directly from Approved Suppliers. If, at any time during the Term, Franchisor receives notice from an Approved Supplier that Franchisee is over sixty (60) days past due on any payment owed to the Approved Supplier, and Franchisee has not provided any notice to the Approved Supplier disputing the overdue amount prior to Franchisor's receipt of notice from the Approved Supplier concerning the past due amount, Franchisor shall have the right, but not the obligation, to make payment to the Approved Supplier on behalf of Franchisee and to thereafter reimburse itself for the amount paid to the Approved Supplier in the manner provided in Section 4.5.

8.2 Recommended Suppliers. If Franchisee desires to purchase authorized Non-Proprietary Products from a Recommended Supplier rather than from Franchisor, its Affiliates or an Approved Supplier, Franchisee shall deliver written notice to Franchisor identifying the Recommended Supplier and shall provide Franchisor with reasonable financial, operational and other information regarding the Recommended Supplier necessary for Franchisor to assess the Recommended Supplier. Franchisee shall not purchase authorized Non-Proprietary Products without Franchisor's prior written consent. Franchisor shall notify Franchisee of Franchisor's decision in writing of Franchisor's approval or disapproval of a Recommended Supplier within

sixty (60) days after Franchisor's receipt of the necessary information from Franchisee. As a condition of its approval, Franchisor may require a Recommended Supplier to agree in writing to (i) provide, from time to time, upon Franchisor's request, free samples of the Non-Proprietary Product the Recommended Supplier intends to supply to Franchisee, (ii) faithfully comply with Franchisor's specifications for the Non-Proprietary Products to be sold by the Recommended Supplier, (iii) sell any Non-Proprietary Products bearing the Chronic Tacos Marks only to franchisees of Franchisor and only under a trademark license agreement with Franchisor, (iv) provide Franchisor, upon request, with duplicate purchase invoices issued to Franchisee for Franchisor's records and inspection purposes, and (v) otherwise comply with Franchisor's reasonable requests. Further, Franchisor may require Franchisee or the Recommended Supplier to reimburse Franchisor for all of Franchisor's actual costs in reviewing the application of the Recommended Supplier including travel and living costs, related to inspecting, re-inspecting and auditing the Recommended Suppliers' facilities, equipment, and food products. Franchisee shall pay Franchisor in advance, a deposit of up to \$1,000, before Franchisor begins any inspection. Franchisor may revoke its approval of a previously approved Recommended Supplier if the Recommended Supplier does not continue to satisfy Franchisor's criteria.

8.3 Purchases from Franchisor or its Affiliates. All Chronic Tacos Branded Products, Chronic Tacos Proprietary Products and Non-Proprietary Products purchased from Franchisor or its Affiliates shall be purchased in accordance with the purchase order format issued from time to time by Franchisor or its Affiliates and at the prices and on delivery terms and other terms offered to similarly situated Chronic Tacos Franchisees. Franchisor, or its Affiliates, at its sole and absolute discretion, may establish the credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis. On the expiration or termination of this Agreement, or in the event of any Default by Franchisee under this Agreement, Franchisor or its Affiliates shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee and may, among other things, only deliver the quantities reasonably necessary to supply Franchisee's needs prior to the expiration or termination of this Agreement. Franchisor or its Affiliates shall not be liable to Franchisee for any delay or delivery failure caused by Force Majeure. Franchisor or its Affiliate shall not be liable to Franchisee for unavailability of, or delay in shipment or receipt of, merchandise because of temporary product shortages, order backlogs, production difficulties, delays, unavailability of transportation, fire, strikes, work stoppages, or other causes beyond the reasonable control of Franchisor or its Affiliate. If any goods or products sold by Franchisor or its Affiliate are not in sufficient supply to fully fulfill all orders, Franchisor or its Affiliate may allocate the available supply among itself, its Affiliates and others, including Franchisee and other franchisees, in any way Franchisor or its Affiliate deems appropriate, which may result in Franchisee not receiving any allocation of certain goods or products as a result of a shortage.

8.4 Rebates. Franchisor or its Affiliates may receive rebates or allowances from certain Approved Suppliers on purchases of Chronic Tacos Branded Products, Chronic Tacos Proprietary Products and Non-Proprietary Products made by Franchisee and other Chronic Tacos franchisees. Rebates and allowances will generally be a percentage of the revenue derived by the Approved Supplier from sales to Taco Restaurants, will be included in Franchisor's general revenue, and may be used by Franchisor for a variety of purposes including ongoing programs, education, marketing, advertising, seminars and conferences, the handling of inquiries and complaints from franchisees' customers and for general and administrative expenses. Franchisor may use these rebate and allowance funds received for any purpose at its sole and absolute discretion.

9. CHRONIC TACOS MARKS.

Franchisor and its Affiliates continue to develop, use and control the use of the Chronic Tacos Marks in order to identify for the public the source of services and products marketed under the Chronic Tacos Marks and the Chronic Tacos System, and to represent the Chronic Tacos System's high standards of quality, appearance and service. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same:

9.1 Ownership and Goodwill of Chronic Tacos Marks. Franchisee acknowledges that its right to use the Chronic Tacos Marks is derived solely from this Agreement and is limited to use in operating as Franchisee pursuant to and in compliance with this Agreement. Any unauthorized use of the Chronic Tacos Marks by Franchisee shall constitute a breach of this Agreement and an infringement of Franchisor's rights in and to the Chronic Tacos Marks. Franchisee acknowledges and agrees that (i) Franchisor owns the Chronic Tacos Marks and the Chronic Tacos System, (ii) Franchisee owns no goodwill or rights in the Chronic Tacos Marks or the Chronic Tacos System except for the license granted by this Agreement, and (iii) Franchisee's use of the Chronic Tacos Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor. Franchisee agrees not to contest, or assist any other person to contest, the validity of Franchisor's rights and interest in the Chronic Tacos Marks or the Chronic Tacos System either during the Term or after this Agreement terminates or expires.

9.2 Limitations on Use. If Franchisee is an Entity, Franchisee shall not use the Chronic Tacos Marks, or Franchisor's trade name, or any words or symbols which are confusingly phonetically or visually similar to the Chronic Tacos Marks, as all or part of Franchisee's name. In addition, Franchisee shall not use any Chronic Tacos Marks (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Franchisee under this Agreement), (ii) in connection with unauthorized services or products, (iii) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, or (iv) in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give all notices of trademark and service mark registration that Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under Applicable Law. Franchisee further agrees that no service mark other than "Chronic Tacos" or other Chronic Tacos Marks specified by Franchisor shall be used in marketing, promoting, or operating the Franchisee Business.

9.3 Modifications. Franchisor reserves the right to (i) modify or discontinue licensing any of the Chronic Tacos Marks, (ii) add new names, marks, designs, logos or commercial symbols to the Chronic Tacos Marks and require that Franchisee use them, and (iii) require that Franchisee introduce or observe new practices as part of the Chronic Tacos System in operating the Franchisee Business. Franchisee acknowledges and agrees that the term Chronic Tacos Marks means the specific names, marks, designs, logos or commercial symbols licensed by Franchisor at any given point in time, subject to Franchisor's right to impose changes. Franchisee shall comply, at Franchisee's sole expense, with Franchisor's directions regarding changes in the Chronic Tacos Marks and Chronic Tacos System within a reasonable time after written notice from Franchisor. Franchisor shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with Franchisor's directions and conforming to required changes.

9.4 Defense of Chronic Tacos Marks and Chronic Tacos System. Franchisor shall have the sole right to handle disputes with Franchisees and third parties concerning Franchisor's or Franchisor's Affiliates' ownership of, rights in, or Franchisee's use of, the Chronic Tacos Marks or the Chronic Tacos System.

Franchisee shall immediately notify Franchisor in writing if Franchisee receives notice, or is informed, of any (i) improper use of any of the Chronic Tacos Marks or elements of the Chronic Tacos System, including misuse by Franchisees, (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's judgment, may be confusingly similar to any of the Chronic Tacos Marks, (iii) use by any third party of any business practice which, in Franchisee's judgment, unfairly simulates the Chronic Tacos System in a manner likely to confuse or deceive the public, or (iv) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee's use of the Chronic Tacos Marks or the Chronic Tacos System. Franchisor shall have sole discretion to take all action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Chronic Tacos Marks or the Chronic Tacos System. Franchisee shall not settle or compromise any claim, suit or demand asserted against it and agrees to be bound by Franchisor's decisions in handling disputes regarding the Chronic Tacos Marks and the Chronic Tacos System. Franchisee shall cooperate fully with Franchisor and execute all documents and perform all actions as may, in Franchisor's judgment, be necessary, appropriate or advisable in the defense of all claims, suits or demands and to protect and maintain Franchisor's rights in the Chronic Tacos Marks and the Chronic Tacos System. Unless it is established that a third party claim asserted against Franchisee is based directly upon Franchisee's misuse of the Chronic Tacos Marks or the Chronic Tacos System, Franchisor agrees to defend Franchisee against the third party claim and indemnify Franchisee for any losses resulting therefore, provided Franchisee has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third party claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter.

10. ADVERTISING.

To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same:

10.1 Chronic Tacos Advertising Fund. Franchisor may, upon ninety (90) days' notice to Franchisee, increase the amount of the Advertising Fee to no more than three percent (3%) of Gross Sales or \$300 per week, whichever is greater. The Advertising Fund Fee shall be paid on the tenth day of each month on the Gross Sales of the Taco Restaurant during the preceding calendar month.

10.1.1 The Chronic Tacos Advertising Fund shall be administered by Franchisor and shall be used to meet the costs of conducting marketing and promotional activities. Franchisor retains sole discretion over all marketing, marketing and public relations programs and activities financed by the Chronic Tacos Advertising Fund, including the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. The Chronic Tacos Advertising Fund may be used to pay the costs of preparing and producing associated materials and programs as Franchisor determines, including video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research and other marketing, promotional and marketing activities, marketing campaigns, test marketing, marketing surveys, public relations activities, web site development/operation for portal, Internet, Intranet and URL services and for 800 or similar numbers. All expenditures are at the sole discretion of Franchisor. Franchisor may spend in any calendar year more or less than the total contributions to the Chronic Tacos Advertising Fund in that year. Franchisor may borrow from

Franchisor or other lenders on behalf of the Chronic Tacos Advertising Fund to cover deficits of the Chronic Tacos Advertising Fund or cause the Chronic Tacos Advertising Fund to invest any surplus for future use by the Chronic Tacos Advertising Fund. Upon request, Franchisor will prepare an annual accounting of the Advertising Fund and will distribute it to Chronic Tacos Franchisees, once a year, that will state the total amount of money collected and spent by the Advertising Fund during the previous year and list, by general category, the manner in which Franchisor spent the money. The report will not be separately audited but will be examined as part of the overall annual audit of Franchisor's books.

10.1.2 Franchisee acknowledges that the Chronic Tacos Advertising Fund is intended to maximize general public recognition of and the acceptance of the Chronic Tacos brand for the benefit of the Chronic Tacos System as a whole. Franchisor undertakes no obligation, in administering the Chronic Tacos Advertising Fund, to make expenditures for Franchisee that are equivalent or proportionate to its contribution, or to ensure that any particular Franchisee benefits directly or pro rata from marketing or promotion conducted with the Chronic Tacos Advertising Fund.

10.1.3 Franchisor will maintain the Chronic Tacos Advertising Fund in an account separate from Franchisor's other monies, and will not use it to defray any of Franchisor's expenses except for reasonable administrative and marketing wages and costs and overhead which Franchisor may incur in activities related to administering the Chronic Tacos Advertising Fund and advertising programs for Franchisor's franchisees, which shall not exceed twenty percent (20%) of the annual contributions to the Chronic Tacos Advertising Fund by all Chronic Tacos franchisees. The Chronic Tacos Advertising Funds will not be used to solicit or to sell Chronic Tacos Franchises to prospective franchisees. The Chronic Tacos Advertising Fund is not and will not be Franchisor's asset. Any unused funds of the Chronic Tacos Advertising Fund will be carried over to the next year. Franchisor maintains the right to terminate the collection and disbursement of the Chronic Tacos Advertising Fund. Upon termination, Franchisor shall disburse the remaining funds on hand for the purposes authorized by this Agreement.

10.2 Local Advertising and Promotion. Franchisee shall spend not less than one percent (1%) of its Gross Sales each calendar quarter on local advertising and promotion of the Taco Restaurant. Franchisor may, upon thirty (30) days' notice increase the amount to be spent on local advertising and promotion to an amount not to exceed three percent (3%) of Gross Sales.

10.2.1 Franchisee shall conduct all local advertising and promotion in accordance with the policies and provisions with respect to format, content, media, geographic coverage and other criteria as are from time to time contained in the Manuals, or as otherwise directed by Franchisor, and shall not use or publish any advertising material or in any way use or display any of the Chronic Tacos Marks except in accordance with said policies and provisions and with Franchisor's prior written approval. Franchisee shall submit samples of all advertising and promotional plans and materials to Franchisor for Franchisor's approval and may only commence use of the materials after they have been approved, in writing, by Franchisor. Franchisor shall have the right at any time after Franchisee commences use of any materials to prohibit further use, effective upon written notice to Franchisee.

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10.2.2 On or before the fifteenth day of each month during the Term, Franchisee shall provide Franchisor with copies of all invoices, statements, canceled checks or other forms of payment which have been issued by Franchisee during the preceding month which evidence the expenditure and payment by Franchisee of the amounts required by this Section 10.2 for local advertising and promotion of the Taco Restaurant. If Franchisee fails to provide Franchisor with such evidence of payment, or if Franchisee fails to spend the amounts required by this Section 10.2 during any month, Franchisee shall contribute an additional two percent (2%) of Gross Sales for that month to the Chronic Tacos Advertising Fund upon demand. If Franchisee fails to provide Franchisor with such evidence of payment, or if Franchisee fails to spend the amounts required by this Section 10.2 during any consecutive two (2) month period, Franchisor may terminate this Agreement.

10.3 Cooperative Advertising Programs. Franchisor may from time to time establish programs for cooperative advertising (“Cooperative Programs”) to coordinate advertising, marketing efforts and programs, to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional advertising media. If and when Franchisor creates a Cooperative Program for an advertising coverage area (an “Advertising Coverage Area”) in which the Taco Restaurant is located, Franchisee (and, if Franchisor or an Affiliate of Franchisor owns a Taco Restaurant in the Advertising Coverage Area, then Franchisor or such Affiliate of Franchisor), shall become a subscriber and member of the Cooperative Program and shall participate in the Cooperative Program in the manner prescribed by Franchisor. The size and content of an Advertising Coverage Area, when and if established by Franchisor, shall be binding upon Franchisee, and all other similarly situated Chronic Tacos Franchisees and Franchisor or an Affiliate of Franchisor, if it operates Taco Restaurants in the Advertising Coverage Area. Each participating Chronic Tacos Franchisee, as well as Franchisor (or its Affiliate), if applicable, shall be entitled to one vote for each Taco Restaurant located within the Advertising Coverage Area as may reasonably be determined by Franchisor.

10.3.1 Franchisee and all other members of the Advertising Coverage Area whose Franchise Agreements require their participation in the Cooperative Program, shall contribute to the Cooperative Program the amounts that are determined by fifty percent (50%) or more of the participating Taco Restaurants in the Cooperative Program (not to exceed two percent (2%) of the Gross Sales of each participating Taco Restaurant located in the Advertising Coverage Area, subject to Franchisor’s written approval. Franchisee’s contribution to the Cooperative Program shall be credited towards the satisfaction of the local advertising expenditure required by Section 10.2.

10.3.2 Franchisor shall administer the Cooperative Program and shall determine the policies of the Cooperative Program and the usage of the available funds for media time, production of media materials, radio, television, newspapers or Taco Restaurant level materials such as flyers, or posters, or for any other type of advertising or marketing use. Franchisor reserves the right to establish general standards concerning the operation of the Cooperative Program, advertising agencies retained by the Cooperative Program, and advertising conducted by the Cooperative Program. Any disputes (other than pricing) arising among or between Franchisee, other Chronic Tacos Franchisees, and/or the Cooperative Program shall be resolved by Franchisor, whose decision shall be final and binding on all parties.

10.4 Grand Opening Advertising and Promotion. At least sixty (60) days before the opening of Franchisee’s Taco Restaurant, Franchisee must submit a Grand Opening Promotional Plan (“Grand Opening Plan”) to Franchisor which outlines Franchisee’s proposal for grand opening marketing and promotion of Franchisee’s Taco Restaurant. Franchisee must obtain Franchisor’s written consent to the Grand Opening Plan before Franchisee implements it. Franchisee must modify the Grand Opening Plan as Franchisor requests, and,

thereafter, Franchisee may not make any substantial changes to the Grand Opening Plan without Franchisor's advance written consent. Franchisee must, during the period beginning thirty (30) days before the scheduled opening of Franchisee's Taco Restaurant and continuing for fifteen (15) days after the Taco Restaurant opens for business, spend from \$3,000 to \$5,000 to conduct grand opening marketing and promotion for Franchisee's Taco Restaurant. Within sixty (60) days after Franchisee's opening date, Franchisee must provide Franchisor with copies of all invoices, statements, canceled checks or other forms of payment that Franchisee has issued which evidence Franchisee's expenditure and payment for the Grand Opening Plan. If Franchisee fails to provide Franchisor with such evidence of payment, or if Franchisee fails to spend the amount required by this Section 10.4, Franchisee shall contribute the sum of \$3,000 to the Chronic Tacos Advertising Fund upon demand. If Franchisee fails to do so, Franchisor may terminate this Agreement.

10.5 Promotional Campaigns. From time to time during the Term, Franchisor shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee shall participate in the promotional campaigns upon the terms and conditions that Franchisor may establish. Franchisee acknowledges and agrees that participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional materials.

10.6 Internet. Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, web site, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Chronic Tacos Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's prior written consent, and then only in the manner and in accordance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Franchisee shall not separately register any domain name or any portion of any domain name containing the Chronic Tacos Marks or participate or market on any web site or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using the Chronic Tacos Marks without Franchisor's prior written consent. Franchisee's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time. Franchisor may, at any time after Franchisee commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Franchisee. Franchisee shall provide free WiFi service at the Taco Restaurant for use by Franchisee's customers in compliance with Franchisor's requirements for bandwidth included in the Manuals or otherwise. Franchisor controls the WiFi gateway and all emails collected will be Franchisor's property, with no restrictions on Franchisor's use or distribution of email addresses. In order to maintain a consistent image and message and to protect the Chronic Tacos Marks and Chronic Tacos System, Franchisee must not participate or market through the use of social technology, social media such as Facebook, Instagram, Pinterest and Twitter, social networking platforms or other forms of electronic media not yet developed ("Social Media Platforms") using the Chronic Tacos Marks, or in connection with Franchisee's Taco Restaurant, without Franchisor's prior written consent. If Franchisee separately registers any Social Media Platform account (a "Social Media Account") containing the Chronic Tacos Marks or related to Franchisee's Taco Restaurant, whether with Franchisor's prior consent or not: (i) Franchisee must promptly notify Franchisor and provide Franchisor with all necessary information related to the Social Media Account Franchisor requires or demands, without compensation to Franchisee; and (ii) the Social Media account will become Franchisor's property,

without compensation to Franchisee. Franchisor will be the sole owner of all related intellectual property rights in all Social Media Accounts and all content posted on Social Media Accounts.

10.7 Web Sites. Franchisor shall establish and maintain from time to time, one or more Internet web sites that shall be used to provide information about Taco Restaurants to the public. Franchisor has sole discretion and control over the establishment, design and content of the web site. Franchisor shall configure the site to accommodate one or more interior pages which Franchisor shall dedicate, in whole or in part, to all Taco Restaurants in the Protected Area, all at Franchisee's expense. Franchisor shall have the right, at its sole option, from time to time, to (i) change, revise, or eliminate the design, content and functionality of the web site, (ii) make operational changes to the web site, (iii) change or modify the URL and/or domain name of the web site, (iv) substitute, modify, or rearrange the web site, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to comply with Applicable Laws, or respond to changes in market conditions or technology and respond to any other circumstances, (v) limit or restrict end-user access (in whole or in part) to the web site, and (vi) disable or terminate the web site without any liability to Franchisee.

11. CONFIDENTIAL INFORMATION.

11.1 Confidential Information. Franchisee acknowledges and agrees that the Chronic Tacos System is comprised of confidential information that has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes Trade Secrets of Franchisor and its affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, Improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, Trade Secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Restaurant which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation of the Restaurant under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "Confidential Information"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Franchisee prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Franchisee after receiving it; has been received lawfully and in good faith by Franchisee from a third party who did not derive it from

Franchisor or Franchisee; or is shown by acceptable evidence to have been independently developed by Franchisee.

11.2 Value. Franchisee acknowledges and agrees the Confidential Information is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Franchisee; derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee; and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements.

11.3 Maintain Confidentiality. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers Chronic Tacos Trade Secrets and/or Chronic Tacos Confidential Information. Franchisee shall divulge Chronic Tacos Confidential Information only to supervisory or managerial employees who must have access to it in order to perform their employment responsibilities.

11.4 Irreparable Injury from Disclosure of Confidential Information. Franchisee acknowledges that failure to comply with the requirements of this Article 11 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Article 11.

11.5 Confidentiality Covenants from Individuals Associated with Franchisee. Franchisee shall require any supervisory or managerial personnel who may have access to any Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Confidential Information they receive in connection with their association with Franchisee. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

11.6 Chronic Tacos Data. All data pertaining to the Taco Restaurant and all data created or collected by Franchisee in connection with Franchisee's operation of the Taco Restaurant, including, without limitation, data pertaining to, or otherwise concerning, the Taco Restaurant's customers and other pertinent data about the Taco Restaurant collected by Franchisee, including, without limitation, data uploaded to, or downloaded from Franchisee's POS System and/or computer system (collectively "Chronic Tacos Data") is Confidential Information and is the sole property of Franchisor. Franchisor shall have the right to review and use Chronic Tacos Data in any manner that Franchisor deems appropriate without any compensation to Franchisee. Franchisee shall provide Franchisor with copies and/or originals of Chronic Tacos Data within five (5) days after Franchisor's request for Chronic Tacos Data at no cost to Franchisor and at any time during the Term and upon the expiration and/or termination of this Agreement. Franchisor hereby licenses use of the Taco Restaurant. Franchisee shall maintain Chronic Tacos Data as secret and confidential throughout the Term and

shall not make any of Chronic Tacos Data available to any unauthorized person without the prior written consent of Franchisor and then only in the manner permitted by Franchisor. Franchisor hereby licenses use of Chronic Tacos Data to Franchisee during the Term, at no cost, solely for Franchisee's use in connection with the Taco Restaurant.

11.7 No Restriction. Nothing in this Article 11 is intended to prohibit or restrict any activity which prohibition or restriction violates Franchisee's employees' rights to engage in protected concerted activity under the National Labor Relations Act.

12. ACCOUNTING AND RECORDS.

12.1 General Reporting. Franchisee shall submit weekly statistical control forms and other financial, operational and statistical information that Franchisor may require (i) to assist Franchisee in the operation of the Taco Restaurant, (ii) to allow Franchisor to monitor Gross Sales, purchases, costs and expenses, (iii) to enable Franchisor to develop chain wide statistics, (iv) to assist Franchisor in the development of new Authorized Chronic Tacos Products or the removal of existing unsuccessful Authorized Chronic Tacos Products, (v) to enable Franchisor to refine existing Authorized Chronic Tacos Products, and (vi) to generally improve chain-wide understanding of the Chronic Tacos System (collectively the "Reporting Information").

12.2 Specific Reporting. Unless otherwise agreed by Franchisor in writing, Franchisee shall submit condensed reports of daily Gross Sales to Franchisor on a weekly basis in accordance with the guidelines established by Franchisor. Franchisee will electronically link the Taco Restaurant to Franchisor and will allow Franchisor to poll the POS System on a daily basis at a time selected by Franchisor to retrieve Reporting Information including sales, sales mix, usage and operations data. Further:

12.2.1 Within ten (10) days following the end of each month during the Term, or at any other interval that Franchisor may establish, Franchisee shall submit a Gross Sales report signed by Franchisee, in the form and manner prescribed by Franchisor, reporting all Gross Sales for the preceding month, together with the additional financial information that Franchisor may, from time to time, request.

12.2.2 Within forty-five (45) days following the end of each calendar quarter during the Term, Franchisee shall submit to Franchisor financial statements for the preceding quarter, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by Franchisor and in accordance with generally accepted accounting principles, which shall be certified by Franchisee to be accurate and complete.

12.2.3 Within forty-five (45) days following the end of each calendar year during the Term, Franchisee shall submit to Franchisor an unaudited annual financial statement prepared in accordance with generally accepted accounting principles, and in the form and manner prescribed by Franchisor, which shall be certified by Franchisee to be accurate and complete. Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate Governmental Authority. Franchisor reserves the right to require the further information concerning the Taco Restaurant that Franchisor may, from time to time, reasonably request.

12.3 Audits. Franchisee shall prepare, and keep for not less than three (3) years following the end of each of its fiscal years, adequate books and records showing daily receipts in, at and from the Taco Restaurants,

applicable sales tax returns, if any, all pertinent original serially numbered sales slips and cash register records, and the other sales records as may be reasonably required by Franchisor, from time to time, to verify the Gross Sales reported by Franchisee to Franchisor, in a form suitable for an audit of Franchisee's records by an authorized auditor or agent of Franchisor. Such information shall be broken down by categories of goods, foods and beverages sold, when possible. Franchisor, its agents or representatives may, at any reasonable time during normal working hours, audit or review Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. If any audit or other investigation reveals an under-reporting or under-recording error of three percent (3%) or more, then in addition to any other sums due, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include, without limitation, Franchisor's travel, lodging and wage expenses and reasonable accounting and legal expenses, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of eighteen percent (18%) per annum.

12.4 Books and Records. Franchisee shall maintain an accounting and record keeping system, which shall provide for basic accounting information necessary to prepare financial statements, a general ledger and reports required by this Agreement and the Manuals. Franchisee shall maintain accurate, adequate and verifiable books and supporting documentation relating to the accounting information.

12.5 Use of Financial Statements In Disclosure Document. Franchisee hereby irrevocably consents to Franchisor's use of information contained in its financial statements, at Franchisor's election, in its franchise disclosure document for the offer and sale of franchises.

13. INSURANCE.

13.1 Franchisee's Insurance Obligations. Franchisee shall obtain and maintain throughout the Term the types and amounts of insurance required by Franchisor and shall provide Franchisor with proof of coverage and Certificates of Insurance upon demand. This insurance shall protect Franchisee and Franchisor against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the operation of the Taco Restaurant. Franchisee shall obtain and maintain: (i) workers compensation insurance in compliance with local laws and regulations; (ii) employer's liability insurance with \$1,000,000 combined single limit coverage; (iii) comprehensive general liability insurance and product liability insurance with limits of \$1,000,000 combined single limit coverage including broad form contractual liability and personal injury coverage (employee and contractual inclusion deleted), provided that the required amounts may be modified periodically by us to reflect inflation or future experience with claims; (iv) automobile liability insurance on company vehicles, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least \$1,000,000; (v) loss of income insurance (in an amount sufficient to cover the all fees due to Franchisor under this Agreement for a period of at least twelve (12) months); (vi) rental value insurance in an amount sufficient to cover the rents and other fees due the Landlord under the Lease during any period of business interruption or inability to operate the Taco Restaurant or any greater amounts of insurance as required by the Lease for the Franchised Location; (vii) employment practices liability insurance; (viii) employee non-owned automobile insurance with limits of \$1,000,000; (ix) cyber-liability insurance with limits of \$50,000; and (x) additional insurance and types of coverage as required by the terms of any Lease for the Franchised Location, including an umbrella policy with limits of \$2,000,000 to \$4,000,000. Franchisor reserves the right to change the insurance requirements during the term of this Agreement, including the types of coverage and the amounts of coverage. Franchisee must comply with any changes to these requirements.

13.2 Required Endorsements and Certificates. Each policy shall: (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which the Taco Restaurant is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide; (ii) name Franchisor as an additional insured; and (iii) comply with the requirements prescribed by Franchisor at the time the policies are obtained. Franchisee and Franchisee's insurers shall agree to waive their rights of subrogation against Franchisor, and Franchisee shall provide evidence of the waiver. Franchisee's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 18.4. All public liability and property damage policies shall contain a provision that Franchisor and its Affiliates, although named as an additional insured, shall nevertheless be entitled to recover under the policies on any loss occasioned to Franchisor, or its Affiliates, partners, shareholders, directors, agents, or employees by reason of the negligence of Franchisee or its partners, shareholders, directors, agents, or employees. At least ten (10) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by the Certificates. Certificates evidencing the insurance required by this Section 13.2 shall name Franchisor, and each of its Affiliates, partners, shareholders, directors, agents, and employees as additional insureds on the additional-insured Grantor of Franchise Form CG-2029 or an insurer's comparable form, and shall expressly provide that any interest of each shall not be affected by any Default by Franchisee of any policy provisions for which the Certificates evidence coverage.

13.3 Franchisor's Right to Secure Insurance on Behalf of Franchisee. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as the requirements may be revised from time to time by Franchisor in the Manuals or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to immediately procure the insurance and to charge the same to Franchisee, which charges, together with Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

14. TRANSFER OF INTEREST

14.1 Transfer by Franchisor. Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal Entity without the consent or approval of Franchisee. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform the obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisor and or its Affiliates may sell their assets, the Chronic Tacos Marks, or the Chronic Tacos System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring all without the consent or approval of Franchisee. In connection with any of the foregoing, at Franchisor's request, Franchisee shall deliver to Franchisor a statement in writing certifying (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications that the Agreement as modified is in full force and effect and identifying the modifications); (b) that Franchisee is not in default under any provision of this Agreement, or if in default, describing the nature thereof in detail; and (c) as to such other matters as Franchisor may reasonably request;

and Franchisee agrees that any such statements may be relied upon by Franchisor and any prospective purchaser, assignee or lender of Franchisor.

14.2 Assignment by Franchisee. Franchisee acknowledges and agrees that the rights granted to Franchisee under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is an Entity, that of the Owners. Accordingly, to protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, Franchisee shall not offer, sell, or negotiate the sale of its rights under this Agreement to any third party, either in Franchisee's own name or in the name and/or on behalf of Franchisor, except as otherwise provided in this Agreement. Franchisee acknowledges and agrees that Franchisee has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement, or (ii) the right to use the Chronic Tacos System or the Chronic Tacos Marks (an "Assignment") without Franchisor's prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor's judgment, Franchisee satisfies the conditions to the Assignment identified in this Agreement.

14.2.1 Unless the Parties otherwise agree in writing, Franchisee shall not make any Assignment of this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all Taco Restaurants then owned and operated by Franchisee in the Protected Area. As a condition to Franchisor's consent to an Assignment, the assignee must execute Franchisor's Then-Current form of Franchise Agreement for each Taco Restaurant sold to the assignee. Further, without Franchisor's prior written consent, which may be withheld by Franchisor at its discretion (i) Franchisee shall not offer for sale or transfer at public or private auction any of the rights of Franchisee under this Agreement, and (ii) Franchisee shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Franchisee shall provide not less than ten (14) days' prior written notice (which notice shall contain the name and address of the secured party and the terms of the pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

14.2.2 For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to transfer identified in this Agreement: (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Franchisee pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the equity or voting power of Franchisee, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Franchisee, (iv) the issuance of any securities by Franchisee which itself or in combination with any other transactions results in the Owners, as constituted on the Effective Date, owning less than fifty percent (50%) of the outstanding Equity or voting power of Franchisee, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected. Franchisee shall promptly provide Franchisor with written notice (stating the information that Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "Assignment" as defined under this Article 14.

14.2.3 Neither Franchisor's right of first refusal nor the other conditions of Assignment shall apply to a transfer by Franchisee of all of Franchisee's rights under this Agreement to a newly-formed corporation,

limited liability company or other business Entity provided all of the equity or voting interests of the new business Entity are owned by the same Owners (a "Qualified Assignment"). Any attempted or claimed Assignment which fails to comply with the requirements of this Article 14 shall be null and void and shall constitute a Default under this Agreement.

14.3. Right of First Refusal. Except with respect to a "Qualified Assignment", if Franchisee or an Owner receive a bona fide written offer ("Third Party Offer") from a third party (the "Proposed Buyer") to purchase or otherwise acquire any interest in Franchisee which will result in an Assignment within the meaning of this Agreement, Franchisee or the Proposed Buyer, shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to the Taco Restaurants then owned and operated by Franchisee, or its Affiliates, in the Protected Area.

14.3.1 Franchisee, or the Proposed Buyer, shall attach to its application for consent to complete the transfer a copy of the Third Party Offer together with (i) information relating to the proposed transferee's experience and qualifications, (ii) a copy of the proposed transferee's current financial statement, and (iii) any other information material to the Third Party Offer, proposed transferee and proposed Assignment or that Franchisor requests.

14.3.2 Franchisor or its nominee shall have the right, exercisable by written notice ("Purchase Notice") given to Franchisee or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Proposed Buyer that it will purchase or acquire the rights, assets, equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of all amounts then due and owing from Franchisee to Franchisor under this Agreement or otherwise.

14.3.3 If Franchisor or its nominee elects to purchase or acquire the rights, assets, equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Franchisor.

14.3.4 If Franchisor does not elect to purchase or acquire the rights, assets, equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Franchisee. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 14.3.

14.4 Conditions of Assignment to Third Party. As a condition to obtaining Franchisor's consent to an Assignment, all of the following conditions must be satisfied:

14.4.1 The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor's then-current qualifications for new Chronic Tacos Franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.

14.4.2 Franchisee must be in Good Standing on the date consent is requested and until the date of closing of the Assignment.

14.4.3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either Franchisee or the Proposed Buyer if Franchisor approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties.

14.4.4 The Proposed Buyer must sign Franchisor's Then-Current form of Franchise Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects, except that the term of replacement Franchise Agreement shall be the remaining term of this Agreement. In exchange for signing the then-current Franchise Agreement, the Proposed Buyer shall receive the rights provided for in this Agreement. Each Owner and each Owner's spouse of the Proposed Buyer shall jointly and severally guarantee the Proposed Buyer's performance of its obligations in the Then-Current Franchise Agreement under a Guarantee in the form of Exhibit C. If Franchisor is not offering new Chronic Tacos franchises, is in the process of revising, amending or renewing Franchisor's form of Franchise Agreement or franchise disclosure document or is not lawfully able to offer Franchisor's Then-Current form of Franchise Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the Term on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Franchise Agreement.

14.4.5 Franchisee will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the transfer, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

14.4.6 Franchisee and the Proposed Buyer shall execute a General Release of all known and unknown liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, that they have, may have or believe to have against Franchisor and its Affiliates and their officers, directors, agents, shareholders and employees as of the date of the general release, in a form acceptable to Franchisor.

14.4.7 Franchisee shall pay Franchisor the sum of \$15,000 as a transfer fee to apply against Franchisor's administrative and other costs to process the Assignment.

14.4.8 Franchisee must simultaneously transfer its rights all contracts for which continuation is necessary for operation of the Taco Restaurant to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Franchisee's rights to the Proposed Buyer. The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained.

14.4.9 Franchisee's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Franchisee and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations owed to Franchisor and its Affiliates

are fully satisfied.

14.4.10 Except when the transferee is an existing Franchisee or franchisee of Franchisor, the Proposed Buyer, or a supervisory or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Franchisee Business who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's Pre-Opening Initial Training Program prior to the effective date of the Assignment.

14.4.11 The Proposed Buyer must conform the Taco Restaurant with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Taco Restaurants.

14.5 Death or Incapacity. In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Owner, or the remaining Owners (the "Successor") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Owner, or (ii) complete an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party, subject to the provisions of this Article 14. If a Successor has not purchased the interest of the deceased or incapacitated Owner or completed an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

14.6 Transfer by Franchisee in Bankruptcy. If, for any reason, this Agreement is not terminated pursuant to Section 16.1 and this Agreement is assumed, or Assignment of the same to any person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, setting forth (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept Assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by the assignee for the Assignment of this Agreement.

14.7 Restriction on Publicly Traded and Private Securities. Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Franchisee shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor, and its Affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the

limitations described in the preceding sentence. Franchisee, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Franchisee shall pay to Franchisor a non-refundable fee of \$10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article.

15. COVENANTS.

15.1 Non-Competition During Term of Agreement. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Chronic Tacos System which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy. Franchisee and each Owner covenants that during the Term, except as otherwise approved in writing by Franchisor, Franchisee and each Owner shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal Entity (i) divert or attempt to divert any present or prospective Chronic Tacos customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Chronic Tacos Marks and the Chronic Tacos System, or (ii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this Section 15.1 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

15.2 Non-Competition After Expiration or Termination of Agreement. Commencing upon the date of (i) an Assignment permitted under Article 14, (ii) the Expiration Date of this Agreement, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 15.2, and continuing for an uninterrupted period of two (2) years thereafter, Franchisee and each Owner shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located at the Franchised Location or within twenty (20) miles of any Taco Restaurant or the Franchised Location; provided, however, the restrictions stated in this Section 15.2 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, Owner, general partner, employee or otherwise associated in any capacity with Franchisee in the Protected Area.

15.3 Violation of Covenants. If Franchisee or any Restricted Person shall commit any violation of Section 15.2 during the twenty-four (24) month period following (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment during the Term, (iii) the cession of the Restricted Person's relationship

with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 15.2, in addition to all other remedies available to Franchisor, Franchisee or the Restricted Person shall pay Franchisor, throughout the twenty-four (24) month period, six percent (6%) of the revenue derived from the operation of the Competitive Business, including the sale of any merchandise, other products and services at or from the Competitive Business, and all other income of every kind and nature of the Competitive Business ("Post-Termination Gross Sales"). Franchisee shall account for and pay the six percent (6%) of the Post-Termination Gross Sales to Franchisor on the fifteenth day of each month on the Post-Termination Gross Sales of the Competitive Business during the preceding month. Franchisor shall have the right to audit the books and records of the competing business in accordance with Section 12.3 to confirm Franchisee's compliance with this Section 15.2, upon prior notice to Franchisee.

15.3 Exceptions to Covenants. Sections 15.1 and 15.2 shall not apply to ownership by Franchisee or an Owner of a less than five percent (5%) beneficial interest in the outstanding equity securities of any Competitive Business registered under the Securities Act of 1933, the Securities Exchange Act of 1934.

15.4 Reducing Scope of Covenants. Franchisee understands and acknowledges that Franchisor shall have the right, at its sole discretion, to reduce the scope of any covenant set forth in Section 15.2, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

15.5 Reasonable Good Faith Estimate. Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages and expenses Franchisor will incur if Franchisee or any Restricted Person shall commit any violation of Section 15.2 during the twenty-four (24) month period following (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment during the Term, (iii) the cession of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 15.2 due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months left to complete the then-current Term, the uncertainty regarding the Gross Sales of the Taco Restaurant during the remainder of the then-current Term, the amount of Continuing Royalty Fees Franchisee would have paid Franchisor based upon the Gross Sales of the Taco Restaurant and the like as well as the amount of the fees that Franchisor will collect from Franchisee upon the occurrence of the circumstances described in Section 15.2. Franchisor and Franchisee further acknowledge and agree that the six percent (6%) fee is a reasonable, good faith estimate of those damages.

15.6 Covenants from Individuals. Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 15 (including covenants applicable upon the termination of a person's relationship with Franchisee) from all Owners. Every covenant required by this Section 15.6 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

15.7 Effect of Applicable Law. In the event any portion of the covenants in this Article 15 violates laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any reduced covenant upon receipt of written notice. The provisions of this Article 15 shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any

other person, whether pursuant to another agreement or pursuant to Applicable Law.

15.8 Business Practices. Franchisee shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "Anti-Terrorism Laws"). In connection with its compliance, Franchisee certifies, represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's employees or any "blocking" of Franchisee's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Franchisee has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 16.2.

15.9 Survival. The provisions of this Article 15 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or the Chronic Tacos Marks, the Chronic Tacos System, the Confidential Information, the Trade Secrets, or any other proprietary aspects of Franchisor's business.

16. DEFAULT AND TERMINATION.

16.1 Termination In the Event of Franchisee's Bankruptcy or Insolvency. Franchisee shall be deemed to be in Default under this Agreement, and all rights granted to Franchisee of this Agreement shall automatically terminate without notice to Franchisee, (i) if Franchisee or its Principal Owner becomes insolvent or make a general assignment for the benefit of creditors, (ii) if a petition in bankruptcy is filed under any foreign, state or United States Bankruptcy Act by Franchisee or its Principal Owner or if a petition is filed against and not opposed by Franchisee or its Principal Owner, (iii) if Franchisee or its Principal Owner is adjudicated as bankrupt or insolvent, (iv) if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or its Principal Owner or other custodian for the Taco Restaurant is filed and consented to by Franchisee or its Principal Owner, (v) if a receiver or other custodian (permanent or temporary) of Franchisee's or its Principal Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, (vi) if proceedings for a composition with creditors under any Applicable Law is instituted by or against Franchisee or its Principal Owner, (vii) if a final judgment in excess of \$100,000 against the Taco Restaurant remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), (viii) if Franchisee or its Principal Owner admits Franchisee or its Principal Owner is unable to generally pay Franchisee's or its Principal Owner's debts as they become due, (ix) if execution is levied against the Taco Restaurant or property, (x) if suit to foreclose any lien or mortgage against the Taco Restaurant, the Franchised Locations or the equipment of the Taco Restaurant is instituted against Franchisee or its Principal Owner and not dismissed within thirty (30) days, or (xi) if the Taco Restaurant or the Franchised Locations shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.2 Option to Terminate Without Opportunity to Cure. Franchisee shall be deemed to be in Default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the Default, effective immediately upon receipt of notice by Franchisor upon the occurrence of any of the following events:

16.2.1 If Franchisee shall Abandon the Taco Restaurant.

16.2.2 If Franchisee shall attempt to make or claim to have made any Assignment without the prior written consent of Franchisor.

16.2.3 If Franchisee shall Default in any obligation as to which Franchisee has previously received three (3) or more written notices of Default from Franchisor setting forth the Default complained of within the preceding twelve (12) months.

16.2.4 If Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the operations of the Taco Restaurant.

16.2.5 If Franchisee fails, for a period of ten (10) days after having received notification of noncompliance from Franchisor or any Governmental Authority, to comply with any federal, state or local law or regulation applicable to the operation of the Taco Restaurant.

16.2.6 If Franchisee's operation of the Taco Restaurant constitutes an imminent danger to the public health or if Franchisee sells unauthorized products to the public after Notice of Default and thereafter sells the products, whether or not Franchisee has cured the Default after one or more notices.

16.2.7 If an audit or investigation conducted by Franchisor discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated its Gross Sales or withheld the reporting of the same as provided in this Agreement.

16.2.8 If Franchisee or any of its Owners, are convicted of or plead guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect Franchisor's reputation, the Chronic Tacos System, the Chronic Tacos Marks or the goodwill associated with the same; however, if the crime or offense is committed by an Owner other than the Principal Owner, Franchisor may only terminate this Agreement under this Section 16.2.8 if the convicted Owner fails to sell its interest in Franchisee to Franchisee's other Owners within thirty (30) days after the conviction or guilty plea.

16.2.9 If Franchisee materially misuses or makes any unauthorized use of the Chronic Tacos Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Taco Restaurant or the Chronic Tacos chain generally.

16.2.10 If Franchisee makes any unauthorized use, disclosure, or duplication of the Trade Secrets or Confidential Information.

16.2.11 If Franchisee fails to purchase and maintain in inventory the types and quantities of Chronic Tacos Branded Products, Chronic Tacos Proprietary Products or Non-Proprietary Products necessary to meet reasonably anticipated consumer demand.

16.2.12 If Franchisee shall purchase or purport to purchase Chronic Tacos Branded Products or Chronic Tacos Proprietary Products or Non-Proprietary Products from other than Franchisor or a Chronic Tacos Approved Supplier and fails to cease use of the non-complying product within three (3) days after having received notification from Franchisor to do so.

16.2.13 If Franchisee sells or attempts to sell any products other than Authorized Products at the Taco Restaurant and fails to cease to do so within three (3) days after having received notification from Franchisor to do so.

16.2.14 If Franchisee Defaults in any obligation under this Agreement that by its nature is not capable of being cured by Franchisee.

16.2.15 If Franchisee fails to meet the site selection requirements, enter a Lease or Open the Taco Restaurant within the applicable time periods provided for in this Agreement.

16.2.16 If, within ten (10) days after receipt of written notice from Franchisor that any required payment is overdue, Franchisee fails to make the payment to Franchisor, its Affiliates, or, to Franchisee's Landlord, suppliers, creditors or employees unless, with respect to Franchisee's suppliers, creditors or employees, Franchisee notifies Franchisor of the existence on a bona fide dispute and takes immediate action to resolve it.

16.2.17 If Franchisee fails to make timely payments upon any obligation of Franchisee upon which Franchisor has advanced any funds for or on behalf of Franchisee, or upon which Franchisor is acting as a guarantor of Franchisee, or Default upon or breach of any provision of any promissory note or other evidence of indebtedness or any agreement relating to this Agreement concerning any obligation of Franchisee which arises from the Restaurant.

16.2.18 If Franchisee or the Owners use abusive language when communicating with Franchisor, Franchisor's staff or with customers, or denigrate Chronic Tacos System or portray it, Franchisor or Franchisor's Constituents in an unflattering light on the Internet or otherwise.

16.2.19 If an approved Assignment as required by Section 14.5, is not effected within the time provided following the death or permanent incapacity (mental or physical) of Franchisee.

16.2.20 If Franchisee fails to comply with the covenants in Article 15 or fails to deliver to Franchisor the executed covenants required under Section 11.5 or Section 15.6.

16.2.21 If Franchisee or the Principal Owner fails to successfully complete the Initial Training Program required by Section 6.1.

16.2.22 If Franchisee fails to obtain or maintain the insurance coverage required by Sections 13.1 and 13.2.

16.2.23 If Franchisee Defaults in the repayment or performance of any obligation or financing transaction with third parties under which this franchise, the Franchised Location or any asset of the Franchised Restaurant is pledged as security for Franchisee's performance.

16.2.24 If Franchisee or any of its Owners use abusive language when communicating with Franchisor, Franchisor's staff, or customers, or denigrates the Chronic Tacos System or portrays it in an unflattering light on the Internet or otherwise.

16.2.25 If, contrary to the terms of Section 7.7, Franchisee fails to sell and offer for sale all and only authorized services and merchandise required by Franchisor after Franchisee receives a Notice of Default from Franchisor due to Franchisee's failure to do so, whether or not Franchisee has cured the Default after one or more notices; or if Franchisee fails to discontinue selling and offering for sale any services or merchandise that Franchisor may, at its sole discretion, disapprove in writing at any time, within ten (10) days after Franchisee's receipt of written notice from Franchisor to do so.

16.2.26 If Franchisee fails to respond to all communications with Franchisor in a timely manner.

16.2.27 If funding promised or otherwise represented to be made available to Franchisee or its Owners on the condition that Franchisee sign this Agreement is not made available to Franchisee or its Owners within ten (10) business days after Franchisee signs this Agreement.

16.2.28 If, in Franchisor's Business Judgment, Franchisor has grounds to believe that Franchisee or any of its Owners, officers, directors, or key employees has engaged or attempted to engage, through one or more affirmative acts or a failure to act, in any fraudulent, dishonest, unethical, immoral, or similar conduct in connection with the Taco Restaurant's operation, whether such conduct is directed at or reasonably expected to impact the Taco Restaurant, the System, the Franchisor or its Affiliates, suppliers, other franchisees, or another third party.

16.2.29 If, in Franchisor's Business Judgment, Franchisor has grounds to believe that Franchisee or any of its Owners, officers, or directors has engaged in any lewd or immoral conduct, whether or not in connection with the Taco Restaurant's operation.

16.3 Termination With Notice and Opportunity To Cure. Except for any Default by Franchisee under Sections 16.1 or 16.2, and as expressly provided elsewhere in this Agreement, Franchisee shall have five (5) days, in the case of any monetary Default and ten (10) days in the case of any other type of Default, following the receipt of a notice of default (a "Notice of Default") demanding the cure of the Default and to provide evidence of the cure to Franchisor. If any Default is not cured within that time period, or any longer time period that Applicable Law may require or that Franchisor may specify in the Notice of Default, this Agreement and all rights granted in this Agreement shall automatically terminate without further notice or opportunity to cure.

16.4 Reimbursement of Franchisor Costs. Upon a Default by Franchisee, all of Franchisor's costs and expenses arising from the Default, including reasonable attorneys' fees, shall be paid to Franchisor within five (5) days after cure or upon demand by Franchisor if the Default is not cured.

16.5 Cross-Default. Any Default by Franchisee under the terms and conditions of this Agreement, any Area Development Agreement, or any other agreement between Franchisor, or its Affiliates, and Franchisee, or its Owners or Affiliates, shall be deemed to be a Default of each and every other agreement. In the event of termination, for any cause, of this Agreement or any other agreement between the Parties, Franchisor may, at its option, terminate any or all of the agreements.

16.6 Notice Required By Law. Notwithstanding anything to the contrary contained in this Article 16, if any valid Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the Parties shall limit Franchisor's rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the

minimum notice periods or restrictions upon termination required by that Applicable Law. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of Applicable Laws in any action, hearing or dispute relating to this Agreement or the termination of this Agreement.

16.7 Interim Management. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, after Franchisor has given Franchisee written notice that Franchisee is in Default, Franchisor may (but is not obligated to) assume interim management of the Taco Restaurant during the pendency of any cure period or in lieu of immediately terminating this Agreement. If Franchisor elects to assume interim management of the Taco Restaurant (i) Franchisor's election will not relieve Franchisee of Franchisee's obligations under this Agreement, (ii) Franchisor will not be liable for any debts, losses, costs or expenses incurred in the operation of the Taco Restaurant during any interim management period, (iii) Franchisor will have the right to charge a reasonable fee for the management services, and (iv) Franchisee agrees to, and hereby does, indemnify and hold Franchisor harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with the interim management of the Taco Restaurant, other than those arising solely from the gross negligence or willful misconduct of Franchisor. Franchisor may delegate its responsibilities under this Section 16.7 to any designee, employee or agent of Franchisor, as Franchisor may direct.

16.8 Delay by Force Majeure. Franchisee shall provide Franchisor, within ten (10) days after the occurrence of an event that Franchisee believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Franchisee's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. Franchisee shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Franchisee's progress and diligence in responding to and overcoming the event of Force Majeure. An event of Force Majeure will not affect or change Franchisee's obligation to pay Royalty, Advertising Fund Fees, Technology Fees or any other fees owed to Franchisor when due.

16.9 Termination by Franchisee. Franchisee may terminate this Agreement due to a material default by Franchisor of its obligations hereunder, which default is not cured by Franchisor within sixty (60) days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged default with specificity; provided, that if the default is such that it cannot be reasonably cured within such sixty (60) day period, Franchisor shall not be deemed in default for so long as it commences to cure such default within sixty (60) days and diligently continues to prosecute such cure to completion. If Franchisee terminates this Agreement pursuant to this Section 16.9, Franchisee shall comply with all of the terms and conditions of Article 17.

17. OBLIGATIONS FOLLOWING TERMINATION OR EXPIRATION.

17.1 General. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, upon the expiration or termination of Franchisee's rights granted under this Agreement, Franchisee shall immediately cease to use all Trade Secrets, Confidential Information, the Chronic Tacos Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall at its own cost immediately return the Manuals and all written materials incorporating Trade Secrets and all copies of any of the same to Franchisor. Franchisee shall at its own cost make cosmetic changes to the Taco Restaurant and the Franchised Location so

that they no longer contain or resemble Franchisor's proprietary designs and shall remove all Chronic Tacos identifying materials and distinctive Chronic Tacos cosmetic features and finishes, soffits, interior wall coverings and colors, exterior finishes and colors and signage from the Franchised Location that Franchisor may reasonably direct.

17.2 Prior Payments. Franchisor may retain all fees paid to Franchisor pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts remaining due to Franchisor and its Affiliates. If this Agreement terminates due to a Default by Franchisee, the amounts to be paid by Franchisee shall include all damages, and costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the Default, which obligation shall remain, until paid in full, a lien in favor of Franchisor against assets of the Taco Restaurant. Franchisee hereby appoints Franchisor as its attorney in fact, with full power and authority to execute on Franchisee's behalf all documents necessary to obtain and perfect this lien.

17.3 Termination of Obligations and Rights. Upon the expiration or termination of this Agreement, any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate. Likewise, any and all rights of Franchisee under this Agreement shall immediately cease and terminate and Franchisee shall immediately cease and thereafter refrain from representing itself as a then or former Franchisee or other Affiliate of Franchisor.

17.4 Electronic Communications and Media. The goodwill associated with all telephone and fax numbers, email addresses, domain names, Websites or web pages, social media and other Internet addressed used in operation of the Taco Restaurant ("Electronic Communications and Media") is an asset that belongs to Franchisor. Franchisor shall have the option, exercisable by written notice within thirty (30) days after the cancellation, termination or expiration of this Agreement, to take an assignment of all Electronic Communications and Media for the Taco Restaurant. If Franchisor exercises this option, Franchisee will be deemed to have assigned to Franchisor or Franchisor's designee all right, title and interest in and to these and/or services associated with the same. Franchisee shall notify the telephone company, domain name registrars and all listing agencies of the cancellation, termination or expiration of its right to use the Electronic Communications and Media associated with the Taco Restaurant, and shall authorize their transfer to Franchisor. Franchisee hereby appoints Franchisor as its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as may be necessary to effect an assignment of all Electronic Communications and Media for the Taco Restaurant. This power of attorney is coupled with an interest and shall survive the cancellation, termination or expiration of this Agreement. Franchisee, by executing this Agreement, authorizes Franchisor and hereby appoints Franchisor and all of Franchisor's officers as Franchisee's attorney-in-fact to direct the telephone, company, domain name registrars and all listing agencies to transfer the same to Franchisor, should Franchisee fail or refuse to do so. The telephone, company, domain name registrars, and all listing agencies may accept this Agreement as conclusive evidence of Franchisor's exclusive right to the Electronic Communications and Media and Franchisor's authority to direct their transfer. Franchisee must sign the instruments Franchisor requests to confirm the assignments and transfers to Franchisor. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this option.

17.5 Purchase Taco Restaurant Assets. Upon the expiration of this Agreement or the termination of this Agreement for any Default of Franchisee, Franchisor shall have the option, to be exercised by written notice to Franchisee within thirty (30) days after the Expiration Date or termination date, to purchase the assets of the Taco Restaurant, regardless of whether the Taco Restaurant is under construction or is Open and operating, and all of assets of Franchisee related to the Taco Restaurant that Franchisor elects to purchase (collectively,

the "Taco Restaurant Assets"). The purchase price for the Taco Restaurant Assets (the "Purchase Price") shall be the "Fair Market Value" of the Taco Restaurant Assets as determined under this Section 17.6. "Fair Market Value" means the price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the date the option is first exercisable (the "Exercise Date"). Franchisor and Franchisee shall use their best efforts to mutually agree upon the Fair Market Value. If they are unable to so agree within thirty (30) days after the Exercise Date, Franchisor shall appoint, within forty (40) days of the Exercise Date, one (1) appraiser, and Franchisee shall appoint within forty (40) days of the Exercise Date, one (1) appraiser. The two (2) appraisers shall within a period of five (5) additional days, agree upon and appoint an additional appraiser. The three (3) appraisers shall, within sixty (60) days after the appointment of the third appraiser, determine the Purchase Price in writing and submit their report to Franchisor and Franchisee. The Purchase Price shall be determined by disregarding the appraiser's valuation that diverges the greatest from each of the other two (2) appraisers' valuations, and the arithmetic mean of the remaining two (2) appraisers' valuations shall be the Purchase Price. Franchisor and Franchisee shall each pay for the services of the appraiser they select, plus one half (1/2) of the fee charged by the third appraiser, and one half (1/2) of all other costs relating to the determination of the Purchase Price. The Purchase Price as so determined shall be payable as Franchisor and Franchisee mutually agree. If they are unable to so agree within ten (10) days after final determination of the Purchase Price, fifty percent (50%) of the Purchase Price shall be payable in cash and the remaining fifty percent (50%) of the Purchase Price shall be paid in eighty-four (84) equal monthly payments and shall bear interest at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), OR ten percent (10%) per annum, but in no event in excess of the maximum rate permitted by Applicable Law. Payment of the portion of the Purchase Price not paid in cash shall be secured by a security interest in the Taco Restaurant Assets. Any purchase of the Taco Restaurant Assets shall include the assumption by Franchisor and the assignment by Franchisee, of the Lease for the Taco Restaurant.

17.6 Survival of Obligations. Termination or expiration of this Agreement shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages. In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination or post-expiration covenants and agreements shall survive the termination or expiration of this Agreement.

17.7 No Ownership of Chronic Tacos Marks. Franchisee acknowledges and agrees that the rights to the Chronic Tacos Marks and the use of the Chronic Tacos Marks shall be and remain the property of Franchisor. Franchisee acknowledges and agrees that any use of the Chronic Tacos Marks after the termination or expiration of this Agreement shall constitute an unauthorized use of an identical mark and shall entitle Franchisor to damages due to, but not limited to, trademark infringement and counterfeiting.

17.8 Government Filings. If Franchisee has registered any of the Chronic Tacos Marks or the name Chronic Tacos as part of an assumed, fictitious or corporate name, Franchisee shall promptly amend those registrations to delete the Chronic Tacos Marks and any confusingly similar marks or names.

17.9 Security Interest. Franchisee acknowledges and agrees that in addition to any other rights and remedies to which Franchisor and its Affiliates may be entitled, Franchisor and its Affiliates may enforce any rights and remedies of a secured party under the UCC as enacted in the state where the Franchised Location is located, pursuant to the security interest granted in Section 4.7, including, without limitation, the right to

enter the Franchised Location to remove and repossess any products or goods in which Franchisor or its Affiliates have been granted a security interest, without notice to Franchisee. Franchisee hereby waives and releases Franchisor and its Affiliates from any and all claims in connection therewith and arising therefrom. At the request of Franchisor or its Affiliates following the event of a Default, Franchisee shall assemble and make available to Franchisor and its Affiliates all products and goods in which Franchisor or its Affiliates have been granted a security interest at a place to be designated by Franchisor or its Affiliates which is reasonably convenient to both Parties.

18. INDEPENDENT CONTRACTOR AND INDEMNIFICATION.

18.1 No Fiduciary Relationship. This Agreement does not create a fiduciary relationship between the Parties. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

18.2 Public Notice of Independent Status. Franchisee shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Franchisee of Franchisor, and shall place the notice of independent ownership on all forms. Franchisor shall have the right to specify the language of any notice.

18.3 Independent Contractor. Franchisee acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any action, nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Taco Restaurant or for any claim or judgment arising therefrom against Franchisee or Franchisor.

18.4 Indemnification. Franchisee and its Owners and Affiliates (collectively, the "Indemnitors") shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Franchisor and its Constituents (collectively, the "Indemnitees"), from any and all "Losses and Expenses" incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof, and regardless of whether the same is between Indemnitors and Indemnitees (collectively, an "Indemnifiable Claim") which arises directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Taco Restaurant and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Franchisee; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 18.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Franchisee). For the purpose of this Section 18.4, the term "Losses and Expenses" shall mean and include compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party's reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses.

18.4.1 The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which indemnification is required under this Section 18.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party

against the Indemnitees (a "Third Party Claim") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a "Direct Claim"), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known. If, through the fault of the Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees' failure to give such notice on a timely basis.

18.4.2 With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume such control shall be made within thirty (30) days after the Indemnitors' receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless the Indemnitors consent to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses).

18.4.3 If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

18.4.4 If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees, which consent shall not be unreasonably withheld or delayed. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they becomes available).

18.4.5 With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon

extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Article 15.

18.4.6 The Indemnitees shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

19. DISPUTE RESOLUTION.

19.1 Judicial Relief. The Parties agree that (i) all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Orange, or the United States District Court of the Central District of California. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Taco Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Taco Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 19.1 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

19.2 Waivers. The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Franchisee, for themselves, and for and on behalf of the Franchisor Owners and the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Franchisee shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 19.4.

19.3 Specific Performance. Franchisor and Franchisee acknowledge that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, Franchisor and Franchisee agree that the provisions of this Agreement shall be specifically enforceable. Franchisor and Franchisee further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Franchisee might otherwise have.

19.4 Injunctive Relief. Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee's use of the Chronic Tacos

Marks and Confidential Information (including any proprietary software used in connection with the Taco Restaurant); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Chronic Tacos Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) prohibit any act or omission by Franchisee or its employees that constitutes a violation of Applicable Law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Franchisee's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.

19.5 Exclusive Remedy. In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement. Each Party waives any claim for damages. Neither Party may claim any damages by way of setoff, counterclaim or defense. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

19.6 Attorneys' Fees. In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a Court.

19.7 No Withholding of Payments. Franchisee shall not withhold all or any part of any payment to Franchisor or any of its Affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's Affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

19.8 WAIVER OF JURY TRIAL. THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

19.9 WAIVER OF CLASS ACTIONS OR OTHER COLLECTIVE ACTIONS. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE TACO RESTAURANT, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

19.10 Waiver of Punitive Damages. Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. Except for any damages or losses incurred by

Notices to Franchisee:

Attention: _____

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party.

21. ACKNOWLEDGMENTS.

21.1 Waiver and Delay. No waiver by Franchisor of any Default, or series of Defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or under any agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or any Franchise Agreement or other agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

21.2 Survival of Covenants. The covenants contained in this Agreement which, by their nature or terms, require performance by the Parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

21.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.

21.4 Joint and Several Liability. If Franchisee consists of more than one Owner, the obligations and liabilities of each person or Entity to Franchisor are joint and several.

21.5 Entire Agreement. This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Agreement and superseded by this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of the Parties. Nothing in this Franchise Agreement or any related agreement is intended to disclaim the representations Franchisor made to Franchisee in Franchisor's Franchise Disclosure Document.

21.6 Titles and Recitals. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The Recitals set forth in Recitals A and B of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.

21.7 Gender and Construction. The terms of all Exhibits attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section in this Agreement may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Franchisee that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, on any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so at its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

21.8 Severability; Modification. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in that event, the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

21.9 Counterparts and Electronic Transmission. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

21.10 Electronic Execution and Copies. This Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and Electronic Signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits. An executed copy of this Agreement (or any portion of this Agreement) may be delivered by either of the Parties by facsimile, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (collectively, "electronic"), and delivery will be effective and binding upon the Parties, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement. Franchisee acknowledges and agrees that Franchisor may create an electronic record of any or all agreements, correspondence or other communications between the Parties or involving third parties and may thereafter dispose of or destroy the original of any of the agreements,

correspondence or other communications. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form, and will be maintained in and readable by hardware and software generally available. Notwithstanding any Applicable Law to the contrary, any electronic version of this Agreement or any other agreements, correspondence or other communications between the Parties will have the same legal effect, validity and enforceability as an original of any document, even if the original of the document has been disposed of or intentionally destroyed.

21.11 Area Development Agreement. This Section 21.11 is only applicable if Franchisee or its Affiliates have entered into an Area Development Agreement (a "Development Agreement") with Franchisor. Franchisor and Franchisee acknowledge and agree that the Development Agreement contains certain negotiated provisions which are intended to apply to, and modify, future franchise agreements entered into by the Parties. Therefore, notwithstanding anything to the contrary set forth in this Agreement, to the extent any provision in the Development Agreement contradicts any provision in this Agreement, or is in addition to any provision of this Agreement, the Development Agreement shall control to the extent of such inconsistency or addition. Franchisor and Franchisee further acknowledge and agree that this Section 21.11 has been added at the request and for the convenience and benefit of both Parties and with advice of counsel. Accordingly, both Franchisor and Franchisee shall work in good faith to resolve any disputes regarding the application or intent of the Development Agreement and future franchise agreements entered into by the Parties. Should a dispute arise as to the application or intent of the Development Agreement as it pertains to this Agreement, the Parties shall resolve the dispute in accordance with Article 19.

21.12 Intent to Comply. Franchisee, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply with the terms of this Agreement and be bound by the terms of this Agreement.

21.13 Independent Investigation. Franchisee acknowledges that Franchisee has conducted an independent investigation of the business franchised hereunder, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Franchisee and if an Entity, its Owners, as independent businesspersons.

21.14 Copy of Agreement. Franchisee acknowledges that it received a copy of this Agreement, the Exhibits attached to this Agreement and all other agreements relating to this Agreement, if any, with all of the blank lines filled in, at least seven (7) days prior to the Effective Date.

21.15 Opportunity to Consult. Franchisee acknowledges that it has read and understood this Agreement, the Exhibits attached to this Agreement, and all other agreements relating to this Agreement, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

21.16 Franchise Disclosure Document. Franchisee acknowledges that it has received a copy of the complete Chronic Tacos Franchise Disclosure Document which contains a copy of this Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

21.17 Business Judgment. Notwithstanding any provision in this Agreement to the contrary, Franchisee and the Owners acknowledge and agree that:

21.17.1 This Agreement (and the relationship of the Parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions or refrain from taking actions not inconsistent with the explicit rights and obligations of Franchisee and the Owners hereunder that may affect Franchisee and the Owners' interests favorably or adversely. Franchisor shall use its Business Judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests, promotion, and benefit of the Chronic Tacos System and other Chronic Tacos franchisees, Chronic Restaurants generally, and specifically without considering the individual interests of Franchisee or the Owners or the individual interests of any other Chronic Tacos franchisee. Franchisee and the Owners acknowledge and agree that Franchisor shall have no liability to Franchisee or the Owners for the exercise of its discretion in this manner; and even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification, no trier of fact in any legal action shall substitute his or her judgment for Franchisor's judgment so exercised and no such action or decision shall be subject to challenge for abuse of discretion. If Franchisor takes any action or Franchisor chooses not to take any action at its discretion with regard to any matter related to this Agreement and its actions or inaction are challenged for any reason, the Parties expressly direct the trier of fact to find that Franchisor's reliance on a business reason in the exercise of its discretion is to be viewed as a reasonable and proper exercise of its discretion, without regard to whether other reasons for its decision may exist and without regard to whether the trier of fact would independently accord the same weight to the business reason.

21.17.2 In granting its approval of the Franchised Location, designating suppliers, setting standards and the like, Franchisor shall exercise its Business Judgment. However, in the exercise of its Business Judgment, Franchisor shall not be liable to Franchisee or the Owners or anyone else, if Franchisor's exercise of its Business Judgment results in a business loss or if the products or services provided fail to meet the expectations of Franchisor, Franchisee, the Owners or other parties. Franchisor disclaims all warranties and liability for the acts or omissions of any contractors, vendors, suppliers, products or employees which Franchisee uses, purchases, retains or hires pursuant to Franchisor's exercise of its Business Judgment.

21.17.3 If Applicable Law implies a covenant of good faith and fair dealing in this Agreement, the Parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if Applicable Law shall imply the covenant, Franchisee agrees that: (i) this Agreement (and the relationship of the Parties that is inherent in this Agreement) grants Franchisor the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisor's explicit rights and obligations under this Agreement that may affect favorably or adversely Franchisee's interests; (ii) Franchisor will use its judgment in exercising the discretion based on Franchisor's assessment of its own interests and balancing those interests against the interests of the Chronic Tacos Franchisees generally (including Franchisor and its Affiliates if applicable), and specifically without considering Franchisee's individual interests or the individual interests of any other particular Chronic Tacos Franchisee; (iii) Franchisor will have no liability to Franchisee for the exercise of Franchisor's discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for Franchisor's judgment so exercised.

21.18 No Third Party Beneficiaries. Except as expressly provided to the contrary in this Agreement, nothing in this Agreement is intended, nor shall be deemed, to confer on any Person or Entity other than Franchisee, Franchisor, Franchisor's officers, directors and personnel and such of Franchisee's and Franchisor's respective successors and assigns that may have any rights or remedies under or as a result of this Agreement.

21.19 Atypical Terms. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other Taco Franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement. Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation that all Taco Franchise Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, at its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the date of this Agreement with other Taco Franchisees in a non-uniform manner.

21.20 General Terms. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor. Franchisee has read this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Chronic Tacos in order to protect and preserve the Chronic Tacos System and the goodwill of the Chronic Tacos Marks. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the Chronic Tacos System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Franchisee's business ability and efforts. The Parties acknowledge and agree that each Party has been represented by independent legal counsel their choice in connection with this Agreement or has had the opportunity to have legal counsel review this Agreement and advise the Party regarding the same, but has voluntarily chosen not to do so. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon its execution by Franchisor and Franchisee. This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed on its behalf by an authorized officer of Franchisor.

(Signature page follows)

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.
A California corporation

By:

Michael Mohammed, its Chief Executive Officer

FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
Name: _____
Title: _____

OR

(IF FRANCHISEE IS AN INDIVIDUAL):

Print Name

Signature

Print Name

Signature

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE AGREEMENT

EXHIBIT A
FRANCHISE INFORMATION

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE AGREEMENT

EXHIBIT A
FRANCHISE INFORMATION

Effective Date: _____

Name of Franchisee: _____

Expiration Date: _____

The following site has been selected and approved as the "Franchised Location" for the "Franchised Unit" in accordance with the Franchise Agreement entered into between Franchisor and Franchisee and dated _____ 20__:

Opening Date: _____

Notice Address for Franchisee: _____

Email: _____

IN WITNESS WHEREOF, the Parties have executed this Exhibit A on _____.

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.
A California corporation

By: _____
Michael Mohammed, its Chief Executive Officer

FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
Name: _____
Title: _____

OR
(IF FRANCHISEE IS AN INDIVIDUAL):

Print Name

Signature

Print Name

Signature

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE AGREEMENT

EXHIBIT B
ENTITY INFORMATION DISCLOSURE

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE AGREEMENT

EXHIBIT B
ENTITY INFORMATION DISCLOSURE

Franchisee represents and warrants that the following information is accurate and complete in all material respects:

(1) Franchisee is a (check as applicable):

- corporation
- limited liability company
- general partnership
- limited partnership
- Other (specify): _____

State of incorporation/organization: _____

Name of Franchisee entity: _____

Federal Tax Identification #: _____

(2) Franchisee shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (the "Entity Documents").

(3) Franchisee promptly shall provide all additional information that Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Franchisee.

(4) The name and address of each Owner is:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST
_____	_____	_____
_____	_____	_____

(5) The names, addresses and titles of Franchisee Owner who will be devoting their full time to the Franchisee business are:

NAME	ADDRESS	TITLE
_____	_____	_____
_____	_____	_____

(6) The address where Franchisee's financial records and Entity Documents are maintained is:

_____.

(7) The Principal Owner is _____ and owns a _____% ownership interest in Franchisee.

(8) The Restaurant Manager is _____.

(9) Franchisee represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Franchise Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Franchisee shall provide Franchisor with all additional information Franchisor may request with respect to the Owners and the ownership of Franchisee. In addition, Franchisee shall notify Franchisor within ten (10) days of any change in the information set forth in the Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Franchisee to be true, correct and complete in all material respects. Franchisor grants Franchisee the rights in this Agreement in reliance upon each and all of the terms of the Entity Information Disclosure.

IN WITNESS WHEREOF, the Parties have executed this Exhibit B on the Effective Date.

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.
A California corporation

By: _____
Michael Mohammed, its Chief Executive Officer

FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
Name: _____
Title: _____

OR

(IF FRANCHISEE IS AN INDIVIDUAL):

Print Name

Signature

Print Name

Signature

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE AGREEMENT

EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE AGREEMENT

EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT

The undersigned (collectively, "Guarantors") have requested CHRONIC TACOS ENTERPRISES, INC., a California corporation ("Franchisor"), to enter into a Franchise Agreement dated _____ (the "Franchise Agreement") with _____ ("Franchisee"). In consideration for, and as an inducement to, Franchisor's execution of the Franchise Agreement, Guarantors hereby grant this guarantee (this "Guarantee") and agree as follows:

1. "Obligations" means and includes any and all obligations of Franchisee arising under or pursuant to the Franchise Agreement and all other obligations, whether now existing or hereafter arising, of Franchisee to Franchisor of whatever nature.
2. Guarantors irrevocably and unconditionally, fully guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Franchisee to Franchisor and the performance of any and all Obligations of Franchisee including, without limitation, Obligations under the Franchise Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.
3. If Franchisee fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary Obligation of Guarantors. Guarantors agree that if any Obligation, covenant or agreement contained in the Franchise Agreement is not observed, performed or discharged as required by the Franchise Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, to observe, perform or discharge the Obligation, covenant or agreement in like manner as if the same constituted the direct and primary Obligation of Guarantors.
4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Franchisee or any other person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Franchisor. Without limiting the generality of the foregoing, Guarantors agree that, regardless of whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Franchise Agreement or of any of the Obligations, in whole or in part, (ii) any acceptance, enforcement or release by Franchisor of any security for the Franchise Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Franchise Agreement or the Obligations or any security therefore, (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any Assignment or transfer of the Franchise Agreement (or any of them) by Franchisor or Franchisee, (iv) the invalidity or unenforceability of any provision of the Franchise Agreement or any of the Obligations, or (v) any failure, omission or delay of Franchisor in enforcing the Franchise Agreement, the Obligations or this Guarantee.
5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Franchisee or any other person, firm or corporation or to proceed against or exhaust any

security held by Franchisor at any time or to pursue any other remedy in Franchisor's power, (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby, (iii) any defense that may arise by reason of Franchisee's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Franchisee, any other or others, (iv) any defense arising out of any alteration of the Franchise Agreement or the Obligations, (v) notice of Franchisee's Default in the payment or performance of any of the Obligations, (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or Obligations or of any action or non-action on the part of Franchisee, Franchisor, any endorser, creditor of Franchisee or Guarantors under this or any other instrument, or any other person, in connection with any Obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed, (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Franchisee by operation of Applicable Law or otherwise, (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Franchisee, regardless of whether Franchisor has reason to believe that those facts materially increase the risk beyond that which Guarantors intends to assume or has reason to believe that the facts are unknown to Guarantors or has a reasonable opportunity to communicate the facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Franchisee's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed, and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Franchisee. All existing or future indebtedness of Franchisee to Guarantors and any right to withdraw capital invested in Franchisee by Guarantors are hereby subordinated to all Obligations.

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through (3), inclusive, including, without limitation, any rights and defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Section 2899.

8. The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Franchisee's obligations. This is a continuing Guarantee. It shall be irrevocable during the initial term and each renewal term and through any extensions, amendments, modifications, substitutions or replacements of the Franchise Agreement and until all Obligations has been fully paid and the Obligations have been fully performed. In the event of any Default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Franchisee or whether Franchisee is joined in any action or actions. Franchisor may maintain successive actions for other Defaults. Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The Obligations of Guarantors shall be primary and are independent of the Obligations of Franchisee and Franchisor may directly

enforce its rights under this Guarantee without proceeding against or joining Franchisee or any other person or Entity, or applying or enforcing any security of the Franchise Agreement. Guarantors acknowledge and agree that Guarantors shall, and hereby are, bound by each and all of the confidentiality and non-competition provisions of the Franchise Agreement.

9. Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter of this Guarantee and no representation, understanding, promise or condition concerning the subject matter of this Guarantee shall bind Franchisor unless expressed in this Guarantee.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Article 20 of the Franchise Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantor's signature below.

11. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by the Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12. This Guarantee shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of California, and if the Taco Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Taco Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Paragraph 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Orange. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

Executed by or on behalf of Guarantors on the date set forth below.

Date: _____

Date: _____

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B
AREA DEVELOPMENT AGREEMENT

CHRONIC TACOS ENTERPRISES, INC.

AREA DEVELOPMENT AGREEMENT

CHRONIC TACOS ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

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EXHIBITS

EXHIBIT A	ENTITY INFORMATION DISCLOSURE
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CHRONIC TACOS ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "Agreement") is made and entered into as of _____ (the "Effective Date"), by and between CHRONIC TACOS ENTERPRISES, INC., a California corporation ("Franchisor"), on the one hand, and _____, a _____ ("Area Developer"), on the other hand, who are individually referred to in this Agreement as a "Party", and collectively referred to in this Agreement as "Parties", with reference to the following facts:

A. Franchisor has developed the "Chronic Tacos System" for the establishment and operation of Chronic Tacos fast-casual restaurants ("Taco Restaurants") that offer a menu featuring authentic Mexican food and other food and beverage products for to order for dine in, take-out, delivery, and catering events under the trade name and service mark "Chronic Tacos" and other related trademarks, service marks, logos and commercial symbols (the "Chronic Tacos Marks"). The Chronic Tacos Marks may be modified by Franchisor, from time to time. Franchisor continues to develop, use and control the use of the Chronic Tacos Marks in order to identify for the public the source of services and products marketed under the Chronic Tacos Marks and the Chronic Tacos System, and to represent the Chronic Tacos System's high standards of quality, appearance and service.

B. Franchisor desires to expand and develop Taco Restaurants in the Development Area and Area Developer desires to develop, own and operate Taco Restaurants in the Development Area in accordance with the terms of this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS

The capitalized terms in this Agreement are assigned these definitions:

"Additional Development Rights" means the rights that Franchisor may, but shall not be obligated to, grant Area Developer to develop additional Taco Restaurants in the Development Area under an Additional Development Plan acceptable to Franchisor.

"Affiliate" or "Affiliates" mean any person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement. Control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise.

"Applicable Law" means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of the Taco Restaurants that are in effect on or after the Effective Date, as they may be amended from time to time.

"Approved Suppliers" means suppliers of Chronic Tacos Branded Products, Chronic Tacos Proprietary Products and Non-Proprietary Products, and ancillary services, food products, beverages, supplies, furniture, fixtures and equipment for Taco Restaurants that have been accepted and approved by Franchisor because

they have demonstrated to Franchisor their ability to supply products and services for Taco Restaurants meeting Franchisor's specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. Franchisor and its Affiliates may be Approved Suppliers.

"Authorized Chronic Tacos Products" means all Chronic Tacos Branded Products, Chronic Tacos Proprietary Products and Non-Proprietary Products offered for sale or used at Taco Restaurants, as specified by Franchisor from time to time.

"Business Judgment" means that Franchisor is allowed to exercise its judgment however Franchisor believes is appropriate in a given circumstance without limitation, subject to the use of that discretion in any reasonable way as more fully described in Section 18.15.

"Chronic Tacos Branded Products" means any product now existing or developed in the future that bears any of the Chronic Tacos Marks, including products that are prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, methods, standards and specifications, as well as novelty items such as cups, coolers, hats, t-shirts and the like.

"Chronic Tacos Proprietary Products" means only those food products, beverages, packaging and other products which are produced or manufactured strictly in accordance with Trade Secrets or that Franchisor otherwise designates as proprietary.

"Chronic Tacos System" means Franchisor's operating methods and business practices related to a Taco Restaurant, and the relationship between Franchisor and its franchisees, including interior and exterior Taco Restaurant design; other items of trade dress; specifications of equipment, fixtures, and uniforms; defined product offerings; recipes and preparation methods; Franchisor specified pricing and promotions; standard operating and administrative procedures; restrictions on ownership; management and technical training programs; and marketing and public relations programs; all as Franchisor may modify the same from time to time.

"Competitive Business" means any restaurant business which prepares, offers and sells Mexican food products as a primary menu item and any restaurant business which looks like, copies, imitates, or operates with similar trade dress or décor to a Taco Restaurant.

"Constituents" means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

"Default" means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"Development Fee" means the development fee payable to Franchisor by Area Developer on the Effective Date in the amount set forth on Exhibit B.

"Development Fee Credit" means that portion of the Development Fee that will be credited against the Initial Franchise Fee for the second Taco Restaurant and each subsequent Taco Restaurant thereafter to be opened

under this Agreement upon the Parties' execution of a Franchise Agreement for each of those Taco Restaurants, in the amount set forth on Exhibit B.

"Development Period" means each of the time periods indicated on Exhibit B during which Area Developer shall have the right and obligation to construct, equip, open and thereafter continue to operate Taco Restaurants in accordance with the Development Obligation.

"Electronic Signature" means any electronic symbol and/or process attached to or logically associated with a document and executed by a Party with the intent to sign such document, including facsimile, email, or other electronic signatures.

"Entity" means any limited liability company, partnership, trust, association, corporation or other entity, which is not an individual. If Area Developer is an Entity, the Entity shall conduct no business other than the development of Taco Restaurants in the Development Area, in accordance with the Development Obligation.

"Equity" means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity.

"Expiration Date" means the fifth anniversary of the Effective Date.

"Force Majeure" means any event (i) that was reasonably unforeseeable as of the Effective Date, (ii) that is beyond the reasonable control, directly or indirectly, of a Party, (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence, (iv) that does not result from the fault or negligence of that Party or its agents, employees or contractors, and (v) that causes the Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, Force Majeure shall include: (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance, (d) unilateral governmental action impacting restaurants generally, and (e) contagious diseases, epidemics, pandemics, transportation shortages, inadequate supply of labor, material or energy. An event of Force Majeure will not affect or change Franchisee's obligation to pay Royalty, Advertising Fund Fees, Technology Fees or any other fees owed to Franchisor when due.

"Franchise Agreement" means the form of agreement prescribed by Franchisor and used to grant to Area Developer the right to own and operate a single Taco Restaurant in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time.

"General Release" means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor and its Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

"Good Standing" means Area Developer is in substantial compliance with the material requirements of this Agreement, the Taco Franchise Agreements, the Manuals and all other agreements then in effect between Franchisor or its Affiliates, and Area Developer, and has substantially cured each curable Default for which Franchisor has issued a notice of Default to Area Developer within the time periods set forth in Section 11.3.

“Governmental Authority” means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

“Gross Sales” means the total of all revenues derived from sales of any nature or kind whatsoever from the Taco Restaurants during the Term, as well as the proceeds from any business interruption insurance related to the non-operation of the Taco Restaurant, and whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from a Taco Restaurant although filled elsewhere. “Gross Sales” shall include the full value of meals Area Developer provides to its employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the meals were provided) and all proceeds from the sale of coupons, gift certificates or vouchers. “Gross Sales” shall exclude the amount of bona fide refunds paid to customers and the amount of any sales or use taxes actually paid to any Governmental Authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

“Initial Franchise Fee” means the initial fee that Area Developer must pay Franchisor for each Taco Restaurant developed, Opened and operated by Area Developer in the Development Area in the amounts set forth on Exhibit B.

“Initial Term” means the five (5) year period beginning on the Effective Date and ending on the Expiration Date.

“Landlord” means the owner of a Franchised Location who enters into a Lease with Area Developer for a Franchised Location.

“Lease” shall mean any agreement, however denominated, that allows Area Developer to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Area Developer and a Landlord.

“Manuals” means Franchisor’s operations and training manuals, and any other written directive related to the Chronic Tacos System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

“Minimum Development Obligation” shall mean the Area Developer’s right and obligation to construct, equip, open and thereafter continue to operate at sites within the Development Area the cumulative number of Taco Restaurants set forth in Exhibit B to this Agreement within each Development Period.

“Non-Proprietary Products” means the food products, condiments, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Chronic Tacos Branded Products and Chronic Tacos Proprietary Products, that may or must be used, offered and sold at the Taco Restaurants.

“Non-Traditional Venues” means a broad variety of atypical retail sites, including, without limitation, a site, venue or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings including office buildings and business complexes, arenas, stadiums and

entertainment venues, health clubs and recreational facilities, airports, train and bus stations, toll road facilities and other transportation terminals and related facilities, food service fulfillment centers, educational, medical, governmental and other types of institutional facilities, restaurant-in retail locations or restaurant-in restaurant locations (for example, a restaurant within a grocery store, other restaurant or movie theater), food courts operated by a master concessionaire and any site for which the lessor, owner or operator limits the operation of its food service facilities to a master concessionaire or contract food service provider.

“Open”, “Open For Business”, “Opened” and “Opened For Business” means that Area Developer has actually begun to sell food products to the public from a Taco Restaurant.

“Opening Date” means the day that (i) Area Developer receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at a Taco Restaurant, and (ii) Area Developer actually begins to offer Authorized Chronic Tacos Products for sale to the public from the Taco Restaurant, whichever occurs last.

“Owner” means each of the individuals listed on Exhibit A and each future direct or indirect shareholder, member, general or limited partner, trustee, or other Equity owner Area Developer. Each Owner and each Owner’s spouse shall jointly and severally guarantee Area Developer’s payment and performance of its obligations under this Agreement under a Guarantee in the form of Exhibit C.

“Principal Owner” means the individual designated by Area Developer on Exhibit A, and accepted by Franchisor, to serve as the authorized representative of Area Developer, who shall act as Area Developer’s representative in all matters with Franchisor, as Area Developer’s liaison with Franchisor, the Franchisor Owners and the Owners, who shall have the authority to act on behalf of Area Developer during the Term without the participation of any other Owner, and who shall own at least ten percent (10%) of the Equity of Area Developer.

“Protected Area” means the exclusive area granted to each Taco Restaurant in which Franchisor shall not develop, own or operate, or issue a franchise to any third party to develop, own or operate any other Taco Restaurant.

“Renewal Rights” means the rights held by Area Developer to renew this Agreement for the Renewal Term upon the expiration of the Initial Term.

“Renewal Term” means the five (5) year period beginning on the Expiration Date and ending on the Renewal Term Expiration Date.

“Then-Current” means the form of agreement then-currently provided by Franchisor to similarly situated prospective Chronic Tacos area developers and Chronic Tacos Franchisees, which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Chronic Tacos area developer or a Chronic Tacos franchisee, or, as the context of this Agreement indicates, the fees then-currently charged by Franchisor or its Affiliates, or Franchisor’s specifications, standards or the like.

“Trade Secrets” means proprietary and Confidential Information, including, recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating Taco Restaurants and producing Authorized Chronic Tacos Products, excluding

information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that can be shown that was already lawfully in a third party's possession before receipt from Franchisor.

"Venue" means any site other than a Non-Traditional Venue.

2. EXCLUSIVE LICENSE

2.1 Grant and Minimum Development Obligation. Franchisor hereby grants Area Developer, and Area Developer hereby accepts the right and obligation to use the Chronic Tacos Marks and the Chronic Tacos System to develop, own and operate the Minimum Development Obligation of Taco Restaurants set forth in Exhibit B only at Venues in the Development Area during the individual Development Periods listed on Exhibit B under the Development Schedule set forth on Exhibit B in accordance with the terms and conditions in this Agreement. Except as provided in Section 2.6, Area Developer shall not develop, own or operate more Taco Restaurants in the Development Area than the Minimum Development Obligation during the Initial Term. Area Developer shall not subcontract, sublicense, share, divide or partition this Agreement and nothing in this Agreement will be construed as granting Area Developer the right to do so.

2.2 Exclusive License. Except as otherwise provided in this Section 2.2 and in Section 2.4, the rights granted to Area Developer under this Agreement are exclusive during the Initial Term so long as Area Developer is in Good Standing, and neither Franchisor, nor any of its Affiliates shall themselves develop, own and operate or grant third parties the right to develop, own and operate, Taco Restaurants in the Development Area during the Initial Term. Area Developer acknowledges the Development Area may be subject to pre-existing franchises granted prior to the Effective Date. The Development Area will not contain any areas granted to other franchisees prior to the Effective Date. Existing franchisees may renew or transfer the franchise rights previously granted to them under their Area Development Agreements or Franchise Agreements.

2.3 Adherence to Development Schedule. Area Developer shall satisfy the Minimum Development Obligation by Opening the number of Taco Restaurants only at Venues in the Development Area within each Development Period as required by the Development Schedule and by continuing to operate the cumulative number of Taco Restaurants required by the Minimum Development Obligation. Failure to comply with a scheduled Opening Date set forth in the Development Schedule shall constitute a Default under this Agreement and shall entitle Franchisor to terminate this Agreement, unless the Default results from an event of Force Majeure, in which case, the Opening Date may be extended by Franchisor as provided in Section 2.7.

2.4 Rights Reserved by Franchisor. Except as provided in Section 2.2, Franchisor expressly reserves all other rights, including the exclusive, unrestricted right, in its discretion, directly and indirectly, through its employees, Affiliates, representatives, licensees, assigns, agents and others, to (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Chronic Tacos Restaurants outside the Development Area, regardless of their proximity to the Development Area; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including food business, other than a Competitive Business, under marks and systems different from the Chronic Tacos Marks and Chronic Tacos System within and outside the Development Area; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Chronic Tacos Branded Products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; (iv) market on the Internet and use the Chronic Tacos Marks on the Internet, including

all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) open or operate and to franchise or license others to open or operate Chronic Tacos Restaurants at any Non-Traditional Venue within and outside of the Development Area regardless of their proximity to any Chronic Tacos Restaurants developed or under development by Area Developer; (vi) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Chronic Tacos Restaurants or franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (vii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Chronic Tacos Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (viii) engage in all other activities that this Agreement does not expressly prohibit.

2.5 Closures and Assignments. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets, and the goodwill associated with the same, if, during the Term, Area Developer ceases to operate any Taco Restaurant developed and Opened under this Agreement for any reason, Area Developer must develop a replacement Taco Restaurant to fulfill Area Developer's obligation to have Open and in operation the required number of Taco Restaurants at the expiration of each Development Period. The replacement Taco Restaurants must be Opened within twelve (12) months after the closing of the Taco Restaurant that will be replaced. Taco Restaurants that are Open and operating that are assigned to Affiliates of Area Developer with Franchisor's consent, shall count in determining whether Area Developer has satisfied the Minimum Development Obligation for so long as the applicable Affiliate continues to comply with the terms of this Agreement.

2.6 Additional Development Rights. If Area Developer satisfies the Minimum Development Obligation before the Expiration Date and desires to develop, own and operate additional Taco Restaurants in the Development Area, Area Developer shall notify Franchisor in writing (the "Additional Development Notice") that Area Developer desires to do so and provide Franchisor with a proposal for the development of additional Taco Restaurants in the Development Area (the "Additional Development Obligation"), setting forth the number of additional Taco Restaurants proposed to be Opened by Area Developer, the proposed development fees and initial franchise fees payable to Franchisor for each Taco Restaurant proposed to be developed and the proposed Opening Dates for each Taco Restaurant during the remainder of the Initial Term. Franchisor may, but shall have no obligation to, grant Area Developer the Additional Development Rights described in this Section 2.6 in its sole and absolute discretion.

2.6.1 If Franchisor elects to grant the Additional Development Rights to Area Developer and if the Additional Development Obligation proposed by Area Developer is unacceptable to Franchisor in any respect, Franchisor and Area Developer shall negotiate during the following thirty (30) day period to agree upon an acceptable Additional Development Obligation. If the Additional Development Obligation proposed by Area Developer is acceptable to Franchisor, or if Franchisor and Area Developer reach agreement on an alternative Additional Development Obligation within the thirty (30) day period after the date of the Additional Development Notice, Franchisor shall deliver to Area Developer its Then-Current form of Area Development Agreement (the "Additional Area Development Agreement") setting forth the agreed upon Additional Development Obligation. Within thirty (30) days after Area Developer's receipt of the Additional Area Development Agreement, Area Developer shall execute the Additional Area Development Agreement, and return it to Franchisor. If Area Developer has so executed and returned the Additional Area Development

Agreement, and has satisfied the conditions precedent set forth in Section 2.6.2, Franchisor shall execute the Additional Area Development Agreement, and return a fully executed copy to Area Developer.

2.6.2 Franchisor shall execute the Additional Area Development Agreement, if, and only if, (i) Franchisor elects to grant the Additional Development Rights to Area Developer, (ii) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer and is in Good Standing on the date of the Additional Development Notice and on the date of Franchisor's execution of the Additional Area Development Agreement, (iii) Area Developer has demonstrated Area Developer's Then-Current financial ability to timely implement and complete the Additional Development Obligation, (iv) Area Developer continues to operate no less than the aggregate number of Taco Restaurants in the Development Area as required by the Minimum Development Obligation, (v) Area Developer has executed the Additional Area Development Agreement and delivered it to Franchisor together with the development fees and initial franchise fees payable to Franchisor for the Additional Development Rights, and (vi) Area Developer executes and delivers to Franchisor a General Release in a form acceptable to Franchisor.

2.7 Force Majeure. Neither Party will be in default in the performance of its obligations under this Agreement if such performance is prevented or delayed due to Force Majeure. If Area Developer is unable to meet the Minimum Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Franchisor to deliver a Disclosure Document pursuant to Section 5.3, which results in the inability of Area Developer to construct and Open the Taco Restaurants as required by this Agreement, Area Developer shall provide Franchisor, within ten (10) days after the occurrence of an event that Area Developer believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Area Developer's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. Area Developer shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Area Developer's progress and diligence in responding to and overcoming the event of Force Majeure.

2.8 No Rights to Use the Chronic Tacos Marks or Chronic Tacos System. This Agreement is not a Chronic Tacos Franchise Agreement, and does not grant Area Developer any right to use the Chronic Tacos Marks or the Chronic Tacos System or to sell or distribute any Chronic Tacos Authorized Products. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, Area Developer's rights to use the Chronic Tacos Marks and the Chronic Tacos System will be granted to Area Developer solely under the terms of a Chronic Tacos Franchise Agreement.

3. INITIAL TERM AND RENEWAL TERM

3.1 Initial Term. The Initial Term shall commence on the Effective Date and shall expire on the Expiration Date.

3.2 Renewal Rights. If Area Developer desires to engage in further development of Taco Restaurants in the Development Area following the Expiration Date, Area Developer shall, no later than one hundred eight (180) days prior to the Expiration Date, notify Franchisor in writing (the "Renewal Notice") that Area Developer desires to extend the Initial Term and provide Franchisor with a plan for the development of additional Taco Restaurants in the Development Area (the "Renewal Development Obligation"), setting forth the number of additional Taco Restaurants proposed to be Opened by Area Developer during the

Renewal Term, the proposed fees payable to Franchisor for each Taco Restaurant proposed to be Opened during the Renewal Term and the proposed Opening Dates for each Taco Restaurant during the Renewal Term. The Renewal Rights may be renewed by Area Developer only if all conditions precedent set forth in this Article 3 are satisfied prior to the Expiration Date. If Area Developer does not elect to renew the Initial Term in accordance with this Section 3.2, this Agreement shall terminate on the Expiration Date. If Area Developer exercises its rights to renew this Agreement, this Agreement shall terminate on the Renewal Term Expiration Date. Except as provided in this Section 3.2, this Agreement is not otherwise renewable.

3.3 Renewal Development Obligation. If the Renewal Development Obligation proposed by the Renewal Development Notice is unacceptable to Franchisor in any respect, Franchisor and Area Developer shall negotiate during the following sixty (60) day period to agree upon an acceptable Renewal Development Obligation. If the Renewal Development Obligation proposed by Area Developer is acceptable to Franchisor, or if Franchisor and Area Developer reach agreement on an alternative Renewal Development Obligation within the sixty (60) day period after the date of the Renewal Notice, Franchisor shall deliver to Area Developer its Then-Current form of Area Development Agreement (the "Renewal Area Development Agreement") extending the Initial Term for the Renewal Term and setting forth the agreed upon Renewal Development Obligation. Within thirty (30) days after Area Developer's receipt of the Renewal Area Development Agreement, Area Developer shall execute the Renewal Area Development Agreement and return it to Franchisor. If Area Developer has so executed and returned the Renewal Area Development Agreement and has satisfied the conditions precedent set forth in this Article 3, Franchisor shall execute the Renewal Area Development Agreement and return a fully executed copy to Area Developer.

3.4 Conditions to Renewal. Franchisor shall execute the Renewal Area Development Agreement if, and only if (i) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer and is in Good Standing on the date of the Renewal Notice, on the date of Franchisor's execution of the Renewal Area Development Agreement and on the Expiration Date, and (ii) Area Developer has demonstrated Area Developer's Then-Current financial ability to implement and complete the Renewal Development Obligation, (iii) Area Developer has Opened and continues to operate no less than the aggregate number of Taco Restaurants required by the Minimum Development Obligation in compliance with the Development Schedule, (iv) Area Developer has executed the Renewal Area Development Agreement and delivered it to Franchisor, (v) Area Developer executes and delivers to a General Release to Franchisor in a form acceptable to Franchisor, and (vi) Area Developer has paid Franchisor a renewal fee of \$15,000 when Area Developer issues the Renewal Notice to Franchisor.

3.5 Effect of Expiration. If the conditions set forth in this Article 3 are not satisfied before the Expiration Date, (i) Area Developer shall have no further right to develop additional Taco Restaurants in the Development Area and no further rights or obligations under this Agreement, (ii) Area Developer shall have the right to continue to own and operate all Taco Restaurants Opened by Area Developer prior to the Expiration Date under Franchise Agreements with Franchisor that remain in full force and effect on the Expiration Date, and (iii) Franchisor, may, but shall not be required to, develop, own and operate, and grant franchises to third parties to develop, own and operate Taco Restaurants at any location within or outside of the Development Area, without restriction, subject only to any Protected Area rights previously granted to Area Developer under a Franchise Agreement with Franchisor that remains in full force and effect on the Expiration Date.

3.6 Term and Expiration Date. If the Parties execute a Renewal Area Development Agreement, (i) "Term" shall mean both the Initial Term and the Renewal Term, and (ii) "Expiration Date" shall mean both the Expiration Date of the Initial Term and the expiration date of the Renewal Term.

4. PAYMENTS BY AREA DEVELOPER

4.1 Development Fee. On the Effective Date, shall pay the Development Fee to Franchisor for the rights granted to Area Developer under this Agreement by a wire transfer of immediately available funds to a bank account designated by Franchisor.

4.2 Initial Franchise Fee. Area Developer shall the sign the Franchise Agreement for the first Taco Restaurant and pay Franchisor an Initial Franchise Fee when Area Developer signs this Agreement. Upon the execution of the Franchise Agreements for the second Taco Restaurant and each subsequent Taco Restaurant thereafter, Area Developer shall pay Franchisor the appropriate Initial Franchise Fee, less the Development Fee Credit. Area Developer shall pay all Initial Franchise Fees by a wire transfer of immediately available funds to a bank account designated by Franchisor. The Initial Franchise Fees shall be non-refundable, in whole or in part.

4.3 Continuing Royalty Fee. Each Franchise Agreement executed by the Parties for each Taco Restaurant developed by Area Developer under this Agreement shall provide for the payment of a Continuing Royalty Fee by Area Developer to Franchisor equal to the greater of six percent (6%) of the Gross Sales of each Taco Restaurant or \$600.

4.4 Advertising Fees. Each Franchise Agreement executed by the Parties for a Taco Restaurant developed by Area Developer under this Agreement shall provide for the payment of a Advertising Fee for each Taco Restaurant which shall initially equal the greater of two percent (2%) of the Gross Sales of each Taco Restaurant or \$100; however, Franchisor may, at any time during the Initial Term, upon ninety (90) days' prior notice to Area Developer, increase the amount of the Advertising Fee to no more than three percent (3%) of Gross Sales or \$300 per week.

5. INITIAL SERVICES AND ONGOING OBLIGATIONS OF FRANCHISOR

5.1 Limited Obligations. Area Developer acknowledges and agrees that Franchisor's obligations under this Agreement are limited to identifying the Development Area and that Franchisor has no ongoing obligations for training or operational support for Area Developer under this Agreement. All initial and continuing obligations of Franchisor to Area Developer shall be provided by Franchisor under Franchisor's Then-Current Franchise Agreement for each Taco Restaurant to be developed and opened in the Development Area by Area Developer.

5.2 Franchised Locations. Area Developer shall, at all times during the Term, exert Area Developer's best efforts to diligently identify proposed sites for the Taco Restaurants. When Area Developer identifies a proposed site for a Taco Restaurant, Area Developer shall submit to Franchisor all demographic and other information regarding the proposed site and neighboring areas that Franchisor shall require, in the form prescribed by Franchisor, and shall request Franchisor to consider and approve the site. If Franchisor accepts a proposed site (a "Franchised Location"), Franchisor shall notify Area Developer of its acceptance of the Franchised Location. Area Developer acknowledges and agrees that it is Area Developer's sole responsibility to identify and obtain each Franchised Location for the Taco Restaurants to be developed under this Agreement. Area Developer further acknowledges and agrees that it is Area Developer's sole responsibility to review and approve each Lease or purchase agreement for each Taco Restaurant to be developed under this Agreement. Each Lease shall comply with the requirements set forth in Sections 5.1 and 5.2 of Franchisor's

current Franchise Agreement. Following Franchisor's approval of a Franchised Location, Area Developer shall execute Franchisor's Then-Current Franchise Agreement for the Taco Restaurant to be located at the Franchised Location and return it to Franchisor together with the applicable Initial Franchise Fee. If Area Developer has executed and returned the signed Then-Current Franchise Agreement and paid Franchisor the Initial Franchise Fee, Franchisor shall execute the Franchise Agreement and return one (1) fully executed copy of the Franchise Agreement to Area Developer.

5.3 Conditions to Franchisor's Obligations. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, Area Developer acknowledges and agrees that, as a condition precedent to Area Developer's right to develop each Taco Restaurant, all of the following conditions precedent must be satisfied and Franchisor shall execute a Then-Current Franchise Agreement for each Taco Restaurant if, and only if (i) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer and is in Good Standing on the date of Franchisor's execution of a Franchise Agreement; (ii) Area Developer demonstrates Area Developer's Then-Current financial ability to implement and complete the construction and Opening of the Taco Restaurants; (iii) Area Developer has Opened and continues to operate no less than the aggregate number of Taco Restaurants required by the Minimum Development Obligation in compliance with the Development Schedule; (iv) Area Developer has executed a Then-Current Franchise Agreement and delivered it to Franchisor; (v) Area Developer executes and delivers a General Release to Franchisor in a form acceptable to Franchisor; and (vi) Area Developer has paid Franchisor the Initial Franchise Fee when Area Developer executed the Franchise Agreement and returned it to Franchisor.

6. OBLIGATIONS OF AREA DEVELOPER

To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets, and the goodwill associated with the same:

6.1 Development and Operation of Taco Restaurants. Area Developer shall, at all times during the Term, exert Area Developer's best efforts to faithfully, honestly and diligently develop, own and operate the number of Taco Restaurants in the Development Area in order to satisfy the Minimum Development Obligation and the Development Schedule in accordance with the requirements of this Agreement and each Franchise Agreement for each Taco Restaurant.

6.2 Chronic Tacos System. Area Developer shall operate the Taco Restaurants in compliance with the terms of the Franchise Agreements and the Manuals. Area Developer acknowledges and agrees that Area Developer alone shall exercise day-to-day control over all operations, activities and elements of the Taco Restaurants, including over Area Developer's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Area Developer further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Chronic Tacos System that Area Developer must comply with under the Franchise Agreements, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Taco Restaurants, which Area Developer alone controls, but only constitute standards to which Area Developer must adhere when exercising Area Developer's control over the day-to-day operations of the Taco Restaurants consistent with the policies of Franchisor. Area Developer shall comply with each Franchise Agreement and shall operate the Taco Restaurants in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise. Since every detail of the Chronic Tacos System is essential in order to develop and maintain quality operating standards, to

increase the demand for the products and services sold by Taco Restaurants under the Chronic Tacos System and to protect the Chronic Tacos Marks and reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, the Chronic Tacos System suggested by Area Developer that is reasonably likely to have an adverse material effect on the Chronic Tacos System, the Chronic Tacos Marks or Franchisor's reputation or goodwill.

7. CHRONIC TACOS MARKS

Franchisor and its Affiliates continue to develop, use and control the use of the Chronic Tacos Marks in order to identify for the public the source of services and products marketed under the Chronic Tacos Marks and the Chronic Tacos System, and to represent the Chronic Tacos System's high standards of quality, appearance and service. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same:

7.1 Ownership and Goodwill of Chronic Tacos Marks. Area Developer acknowledges that its right to use the Chronic Tacos Marks is derived solely from this Agreement and is limited to use in operating as Area Developer pursuant to and in compliance with this Agreement and as a Taco Franchisee pursuant to the Taco Franchise Agreements between Area Developer and Franchisor. Any unauthorized use of the Chronic Tacos Marks by Area Developer shall constitute a breach of this Agreement and an infringement of Franchisor's rights in and to the Chronic Tacos Marks. Area Developer acknowledges and agrees that (i) Franchisor owns the Chronic Tacos Marks and the Chronic Tacos System, (ii) Area Developer owns no goodwill or rights in the Chronic Tacos Marks or the Chronic Tacos System except for the license granted by this Agreement, and (iii) Area Developer's use of the Chronic Tacos Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor. Area Developer agrees not to contest, or assist any other person to contest, the validity of Franchisor's rights and interest in the Chronic Tacos Marks or the Chronic Tacos System either during the Term or after this Agreement terminates or expires.

7.2 Limitations on Use. Area Developer shall not use any Chronic Tacos Mark (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Area Developer under this Agreement), (ii) in connection with unauthorized services or products, (iii) as part of any domain name or electronic address maintained on the, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, or (iv) in any other manner not expressly authorized in writing by Franchisor. Area Developer shall give all notices of trademark and service mark registration as Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under applicable, law. Area Developer further agrees that no service mark other than "Chronic Tacos" or other Chronic Tacos Marks specified by Franchisor shall be used in marketing, promoting, or operating the Taco Restaurants.

7.3 Modifications. Franchisor reserves the right to (i) modify or discontinue licensing any of the Chronic Tacos Marks, (ii) add new names, marks, designs, logos or commercial symbols to the Chronic Tacos Marks and require that Area Developer use them, and (iii) require that Area Developer introduce or observe new practices as part of the Chronic Tacos System in operating the Taco Restaurants. Area Developer acknowledges and agrees that the term Chronic Tacos Marks means the specific names, marks, designs, logos or commercial symbols licensed by Franchisor at any given point in time, subject to Franchisor's right to impose changes. Area Developer shall comply, at Area Developer's sole expense, with Franchisor's directions regarding changes in the Chronic Tacos Marks and Chronic Tacos System within a reasonable time after written notice from Franchisor. Franchisor shall have no liability to Area Developer for any cost, expense, loss or damage that Area Developer incurs in complying with Franchisor's directions and conforming to required changes.

7.4 Defense of Chronic Tacos Marks and Chronic Tacos System. Franchisor shall have the sole right to handle disputes with Area Developers and third parties concerning Franchisor's or Franchisor's Affiliates' ownership of, rights in, or Area Developer's use of, the Chronic Tacos Marks or the Chronic Tacos System. Area Developer shall immediately notify Franchisor in writing if Area Developer receives notice, or is informed, of any: (i) improper use of any of the Chronic Tacos Marks or elements of the Chronic Tacos System, including misuse by Area Developers, (ii) use by any third party of any mark, design, logo or commercial symbol which, in Area Developer's judgment, may be confusingly similar to any of the Chronic Tacos Marks, (iii) use by any third party of any business practice which, in Area Developer's judgment, unfairly simulates the Chronic Tacos System in a manner likely to confuse or deceive the public, or (iv) claim, challenge, suit or demand asserted against Area Developer based upon Area Developer's use of the Chronic Tacos Marks or the Chronic Tacos System. Franchisor shall have sole discretion to take all action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Chronic Tacos Marks or the Chronic Tacos System. Area Developer shall not settle or compromise any claim, suit or demand asserted against it and agrees to be bound by Franchisor's decisions in handling disputes regarding the Chronic Tacos Marks and the Chronic Tacos System. Area Developer shall cooperate fully with Franchisor and execute all documents and perform all actions as may, in Franchisor's judgment, be necessary, appropriate or advisable in the defense of all claims, suits or demands and to protect and maintain Franchisor's rights in the Chronic Tacos Marks and the Chronic Tacos System. Unless it is established that a third party claim asserted against Area Developer is based directly upon Area Developer's misuse of the Chronic Tacos Marks or the Chronic Tacos System, Franchisor agrees to defend Area Developer against the third party claim and indemnify Area Developer for any losses resulting therefore, provided Area Developer has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third party claim, Area Developer is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Area Developer has no right, independent of Franchisor, to make any demand against any such user or challenger or to prosecute any claim of any kind or nature whatsoever relating to the Chronic Tacos Marks.

8. CONFIDENTIAL INFORMATION

8.1 Confidential Information. Area Developer acknowledges and agrees that the Chronic Tacos System is comprised of confidential information that has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes Trade Secrets of Franchisor and its affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, customer lists and customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials,

trademarks, Trade Secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Taco Restaurant which may be communicated to Area Developer, or of which Area Developer may be apprised under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "Confidential Information"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Area Developer prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Area Developer after receiving it; has been received lawfully and in good faith by Area Developer from a third party who did not derive it from Franchisor or Area Developer; or is shown by acceptable evidence to have been independently developed by Area Developer.

8.2 Value. Area Developer acknowledges and agrees the Confidential Information is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Area Developer; derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor, its franchisees or Area Developer; and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements.

8.3 Maintain Confidentiality. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, Area Developer shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its Trade Secrets and/or Confidential Information. Area Developer shall divulge such Confidential Information only to its supervisory or managerial personnel who must have access to it in order to perform their employment responsibilities.

8.4 Irreparable Injury from Disclosure of Confidential Information: Area Developer acknowledges that failure to comply with the requirements of this Article 8 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Article 8.

8.5 Confidentiality Covenants from Individuals Associated with Area Developer: Area Developer shall require any supervisory or managerial employee who may have access to any Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Confidential Information they receive in connection with their association with Area Developer. Such covenants shall be in a form

satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.6 No Restriction. Nothing in this Article 8 is intended to prohibit or restrict any activity which prohibition or restriction violates Area Developer's employees' rights to engage in protected concerted activity under the National Labor Relations Act.

9. TRANSFER OF INTEREST

9.1 Transfer by Franchisor.

9.1.1 Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal Entity without the consent or approval of Area Developer. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisor and or its Affiliates may sell their assets, the Chronic Tacos Marks, or the Chronic Tacos System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring (collectively, a "Capital Event"), all without the consent or approval of Area Developer. In connection with any of the foregoing, at Franchisor's request, Area Developer shall deliver to Franchisor a statement in writing certifying (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications that the Agreement as modified is in full force and effect and identifying the modifications); (b) that Area Developer is not in default under any provision of this Agreement, or if in default, describing the nature thereof in detail; and (c) as to such other matters as Franchisor may reasonably request; and Area Developer agrees that any such statements may be relied upon by Franchisor and any prospective purchaser, assignee or lender of Franchisor.

9.1.2 Upon the occurrence of a Capital Event, Franchisor shall have the right (the "Take-Along Right") to compel Area Developer to sell and, in such event, Area Developer shall sell the assets of any or all of the Taco Restaurants, regardless of whether such Taco Restaurants are under construction or are Open and operating (collectively the "Take-Along Assets") at the same value attributable to Taco Restaurants owned and operated by Franchisor or its Affiliates at the closing of a Capital Event. Franchisor shall exercise this Take-Along Right to compel the sale of the Take-Along Assets by Area Developer by providing Area Developer with written notice (the "Take-Along Notice") setting forth the time and place of the closing of the Capital Event, which time and place shall not be less than thirty (30) days after the date of the Take-Along Notice, and the expected price and form of consideration to be paid for the Take-Along Assets at the closing.

9.2 Assignment by Area Developer. Area Developer acknowledges and agrees that the rights granted to Area Developer under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Area Developer and, if Area Developer is an Entity, that of the Owners. Accordingly, to protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, Area Developer shall not offer, sell, or negotiate the sale of its rights under this Agreement to any third party, either in Area Developer's own name or in the name and/or on behalf of Franchisor, except as otherwise provided in this Agreement. Area Developer acknowledges and agrees that Area Developer has no right, by operation of law or otherwise, to sell, assign, transfer, pledge,

donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement, or (ii) the right to use the Chronic Tacos System or the Chronic Tacos Marks granted pursuant to this Agreement (an "Assignment") without Franchisor's prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor's judgment, Area Developer satisfies the conditions to the Assignment identified in this Agreement.

9.2.1 Unless the Parties otherwise agree in writing, Area Developer shall not make any Assignment of this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all Taco Restaurants then owned and operated by Area Developer in the Development Area. As a condition to Franchisor's consent to such an Assignment, the assignee must execute Franchisor's Then-Current form of Franchise Agreement for each Taco Restaurant sold to the assignee. Further, without Franchisor's prior written consent, which may be withheld by Franchisor in its discretion (i) Area Developer shall not offer for sale or transfer at public or private auction any of the rights of Area Developer under this Agreement, and (ii) Area Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Area Developer shall provide not less than ten (10) days' prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

9.2.2 For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to transfer identified in this Agreement: (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Area Developer pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the equity or voting power of Area Developer, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Area Developer, (iv) the issuance of any securities by Area Developer which itself or in combination with any other transactions results in the Owners, as constituted on the Execution Date, owning less than forty percent (40%) of the outstanding Equity or voting power of Area Developer, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Area Developer, however effected. Area Developer shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Area Developer Owner of any direct or indirect equity or voting rights in Area Developer, notwithstanding that the same may not constitute an "Assignment" as defined under this [Article 9](#).

9.2.3 Neither Franchisor's right of first refusal nor the other conditions of Assignment shall apply to a transfer by Area Developer of all of Area Developer's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the equity or voting interests of the new business Entity are owned by the same Owners (a "Qualified Assignment"). Any attempted or purported Assignment which fails to comply with the requirements of this [Article 9](#) shall be null and void and shall constitute a Default under this Agreement.

9.3. **Right of First Refusal.** Except with respect to a "Qualified Assignment", if Area Developer or an Owner receive a bona fide written offer ("Third Party Offer") from a third party (the "Proposed Buyer") to purchase or otherwise acquire any interest in Area Developer which will result in an Assignment within the meaning of this Agreement, Area Developer or the Proposed Buyer, shall, within five (5) days after receiving

the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to all of the Taco Restaurants then owned and operated by Area Developer in the Development Area.

9.3.1 Area Developer, or the Proposed Buyer, shall attach to its application for consent to complete the transfer a copy of the Third Party Offer together with (i) information relating to the proposed transferee's experience and qualifications, (ii) a copy of the proposed transferee's current financial statement, and (iii) any other information material to the Third Party Offer, proposed transferee and proposed assignment or that Franchisor requests.

9.3.2 Franchisor or its nominee shall have the right, exercisable by written notice ("Purchase Notice") given to Area Developer or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Area Developer or the Proposed Buyer that it will purchase or acquire the rights, assets, equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of all amounts then due and owing from Area Developer to Franchisor under this Agreement or otherwise.

9.3.3 If Franchisor or its nominee elects to purchase or acquire the rights, assets, equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Franchisor.

9.3.4 If Franchisor does not elect to purchase or acquire the rights, assets, equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Area Developer. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 9.3.

9.4 Conditions of Assignment to Third Party. As a condition to obtaining Franchisor's consent to an Assignment, all of the following conditions must be satisfied:

9.4.1 The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor's Then-Current qualifications for new Chronic Tacos Area Developers, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.

9.4.2 Area Developer must be in Good Standing on the date consent is requested and until the date of closing of the Assignment.

9.4.3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either Area Developer or the Proposed Buyer if Franchisor approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties.

9.4.4 The Proposed Buyer must sign Franchisor's Then-Current form of Area Development Agreement, the terms of which may differ materially from any and all of the terms contained in this

Agreement, and which shall supersede this Agreement in all respects. In exchange for signing the Then-Current Area Development Agreement, the Proposed Buyer shall receive the rights provided for in this Agreement, as modified by the terms of the Then-Current form of Area Development Agreement. If Franchisor is not offering new area development franchises, is in the process of revising, amending or renewing Franchisor's form of Area Development Agreement or Disclosure Document or is not lawfully able to offer Franchisor's Then-Current form of Area Development Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the term of this Agreement on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Area Development Agreement.

9.4.5 Area Developer will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the transfer, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

9.4.6 Area Developer and the Proposed Buyer shall execute a General Release in a form acceptable to Franchisor.

9.4.7 Area Developer shall pay Franchisor the sum of \$15,000 as a transfer fee to apply against Franchisor's administrative and other costs to process the Assignment.

9.4.8 Area Developer must simultaneously transfer its rights all contracts for which continuation is necessary for operation of the Taco Restaurants to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Area Developer's rights to the Proposed Buyer. The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained. If the Proposed Buyer is a corporation, limited liability company or other business Entity, each person who at the time of the Assignment, or later, owns or acquires, either legally or beneficially, twenty percent (20%) or more of the equity or voting interests of the Proposed Buyer must execute a Guarantee in a form acceptable to Franchisor.

9.4.9 Area Developer's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Area Developer and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Area Developer only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied.

9.4.10 Except when the transferee is an existing Area Developer or franchisee of Franchisor, the Proposed Buyer, and a supervisory or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Taco Restaurants, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment.

9.4.11 The Proposed Buyer must conform the Taco Restaurants with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Taco Restaurants.

9.5 Death or Incapacity. In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated person, or the remaining shareholders, members, partners or owners (the "Successor") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated person, or (ii) complete an Assignment of the interest of the deceased or incapacitated person to a qualified, approved third party, subject to the provisions of this Article 9. If a Successor has not purchased the interest of the deceased or incapacitated person or completed an Assignment of the interest of the deceased or incapacitated person to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

9.6 Restriction on Publicly Traded and Private Securities. Securities, partnership or other ownership interests in Area Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Area Developer shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Area Developer or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Area Developer and Franchisor, and its Affiliates. Franchisor may, at its option, require Area Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Area Developer, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Area Developer shall pay to Franchisor a non-refundable fee of \$10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Area Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article.

10. TRANSFER BY AREA DEVELOPER IN BANKRUPTCY

If, for any reason, this Agreement is not terminated pursuant to Section 11.1 and this Agreement is assumed, or Assignment of the same to any person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, setting forth (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept Assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same

terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Area Developer out of the consideration to be paid by the assignee for the Assignment of this Agreement.

11. DEFAULT AND TERMINATION

11.1 Termination In the Event of Area Developer's Bankruptcy or Insolvency. Area Developer shall be deemed to be in Default under this Agreement, and all rights granted to Area Developer of this Agreement shall automatically terminate without notice to Area Developer, (i) if Area Developer or its Principal Owner becomes insolvent or makes a general assignment for the benefit of creditors, (ii) if a petition in bankruptcy is filed under the United States Bankruptcy Act by Area Developer or its Principal Owner or such a petition is filed against and not opposed by Area Developer or its Principal Owner, (iii) if Area Developer or its Principal Owner is adjudicated as bankrupt or insolvent, (iv) if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or its Principal Owner or other custodian for any Taco Restaurants is filed and consented to by Area Developer or its Principal Owner, (v) if a receiver or other custodian (permanent or temporary) of Area Developer's or its Principal Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, (vi) if proceedings for a composition with creditors under any Applicable Law is instituted by or against Area Developer or its Principal Owner, (vii) if a final judgment in excess of \$100,000 against any Taco Restaurants remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), (viii) if Area Developer or its Principal Owner admits Area Developer or its Principal Owner is unable to generally pay Area Developer's or its Principal Owner's debts as they become due, (ix) if execution is levied against any Taco Restaurant or property, (x) if suit to foreclose any lien or mortgage against any Taco Restaurant or the equipment of any Taco Restaurant is instituted against Area Developer or its Principal Owner and not dismissed within thirty (30) days, or (xi) if any Taco Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

11.2 Termination With Notice and Without Opportunity to Cure. Area Developer shall be in Default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Area Developer any opportunity to cure the Default, effective immediately upon receipt of notice by Area Developer (i) if Area Developer or an Owner is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the Chronic Tacos System, the Chronic Tacos Marks, the goodwill associated therewith, or Franchisor's interest therein, (ii) if Area Developer fails to comply with the Development Schedule, (iii) if any of the Franchise Agreements or any other agreement between Area Developer and Franchisor or its Affiliates are terminated due to a breach or Default by Area Developer, (iv) if any purported assignment or transfer of any direct or indirect interest in this Agreement, in the Taco Restaurants, or in all or substantially all of Area Developer's assets is made to any third party by Area Developer or an Owner without Franchisor's prior written consent, (v) if any transfer of the equity ownership interests of Area Developer or an Owner is made to any third party without Franchisor's prior written consent, (vi) if Area Developer or an Owner discloses or divulges the contents of Franchisor's Manuals, Trade Secrets or other Confidential Information provided to Area Developer by Franchisor, (vii) if an approved Assignment, as required by Section 10.5, is not effected within the time provided following death or incapacity of an Owner, (viii) if Area Developer or an Owner fails to comply with the covenants in Article 13 or fails to obtain execution of and deliver the covenants required under Section 13.6, (ix) if Area Developer or an Owner has made any material misrepresentations in connection with their application to Franchisor for the development rights granted by this Agreement, (x) if Area Developer or an Owner, after curing a Default pursuant to Section 11.3, commits the same, similar, or different Default, whether or not cured after notice, (xi) if any Owner fails or refuses to deliver to Franchisor,

within ten (10) days after Franchisor's written request, a Guarantee in substantially the form attached to this Agreement as Exhibit C and current financial statements as may from time to time be requested by Franchisor, (xii) if Area Developer, an Owner or an Affiliate fails to comply with any or all of the terms of this Agreement, the Stock Purchase Agreement or any other agreement between Franchisor, or its Affiliates, and Area Developer or an Owner beyond the applicable cure period (xiii) upon a breach of Area Developer's obligations under this Agreement or any other agreement between Area Developer and Franchisor, which by its nature is not capable of being cured by Area Developer, (xiv) if funding promised or otherwise represented to be made available to Area Developer or its Owners on the condition that Area Developer sign this Agreement is not made available to Area Developer or its Owners within ten (10) business days after Area Developer signs this Agreement, (xv) if, in Franchisor's Business Judgment, Franchisor has grounds to believe that Area Developer or any of its Owners, officers, directors, or key employees has engaged or attempted to engage, through one or more affirmative acts or a failure to act, in any fraudulent, dishonest, unethical, immoral, or similar conduct in connection with Area Developer's development of Taco Restaurants, whether such conduct is directed at or reasonably expected to impact Area Developer's development of Taco Restaurant's, the System, the Franchisor or its Affiliates, suppliers, other area developers, or another third party, or (xvi) if, in Franchisor's Business Judgment, Franchisor has grounds to believe that Area Developer or any of its Owners, officers, or directors has engaged in any lewd or immoral conduct, whether or not in connection with Area Developer's development of Taco Restaurants.

11.3 Termination With Notice and Opportunity to Cure. Except as provided in Sections 11.1 and 11.2, Area Developer shall have thirty (30) days after its receipt of written notice from Franchisor within which to remedy any Default under this Agreement and to provide evidence thereof to Franchisor. If any such Default is not cured within the specified time, or such longer period as Applicable Law may require, this Agreement shall terminate without further notice to Area Developer effective immediately upon expiration of the thirty (30) day period or such longer period as Applicable Law may require. Area Developer shall be in Default pursuant to this Section 11.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Manuals, or for failure to carry out the terms of this Agreement in good faith.

11.4 Options At Termination. Upon any Default under Sections 11.2 or 11.3, Franchisor may immediately take any one or more of the following actions, by written notice to Area Developer: (i) terminate this Agreement and all rights granted to Area Developer under this Agreement; (ii) accelerate or decelerate the Development Schedule; (iii) reduce the Minimum Development Obligation; (iv) eliminate or diminish Area Developer's rights with respect to the Development Area or the size of the Development Area; or (v) increase the fees to be paid by Area Developer to Franchisor.

11.5 Cross-Default. Any Default by Area Developer under the terms and conditions of this Agreement, any Franchise Agreement, or any other agreement between Franchisor, or its Affiliates, and Area Developer, shall be deemed to be a Default of each and every other such agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between Franchisor, or its Affiliates, and Area Developer, Franchisor may, at its option, terminate any or all of such other agreements.

12. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to Area Developer shall forthwith terminate, and:

12.1 No Right to Open Additional Taco Restaurants. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, upon termination or expiration of this Agreement: (i) Area Developer shall have no further right to develop any Taco Restaurants; (ii) Area Developer shall have no further rights or obligations under this Agreement or the Taco Franchise Agreements that were terminated; (iii) Area Developer shall have the right to continue to own and operate all Taco Restaurants Opened by Area Developer prior to the termination date under Franchise Agreements with Franchisor that remain in full force and effect on the termination date; and (iv) Franchisor may thereafter develop, own and operate, and grant franchises to third parties to develop, own and operate Taco Restaurants at any location within or outside of the Development Area, without restriction, subject only to any Protected Area rights previously granted to Area Developer for any Taco Restaurant under a Franchise Agreement that remains in full force and effect on the termination date.

12.2 Payment of Monies Due. Area Developer shall promptly pay all sums owing to Franchisor and its Affiliates. If this Agreement is terminated because of a Default by Area Developer, such sums also shall include all damages, costs, and expenses, including attorneys' fees, incurred by Franchisor as a result of the Default. Franchisor shall have the right to set off any amounts which Franchisor deems are payable to Franchisor by Area Developer.

12.3 Return of Materials and Other Confidential Information. Area Developer shall immediately deliver to Franchisor the Manuals and all other records, files, and any instructions containing Confidential Information which are in Area Developer's possession and all copies thereof (all of which are acknowledged to be the property of Franchisor).

13. COVENANTS

13.1 Non-Competition During Term of Agreement. Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Chronic Tacos System. Area Developer and each Owner covenants that during the Term, except as otherwise approved in writing by Franchisor, Area Developer and each Owner shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal Entity (i) divert or attempt to divert any present or prospective Chronic Tacos customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Chronic Tacos Marks and the Chronic Tacos System, or (ii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this Section 13.1 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer.

13.2 Non-Competition After Expiration or Termination of Agreement. Commencing upon the date of: (i) an Assignment permitted under Article 9 (ii) the Expiration Date of this Agreement, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 13.2, and continuing for an uninterrupted period of two (2) years thereafter, Area Developer and each Owner shall not,

own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located at a location designated as a "Franchised Location" in a Franchise Agreement between Franchisor, as franchisor, and Area Developer, or an Affiliate or Owner of Area Developer, as franchisee, except in accordance with the terms of an effective Franchise Agreement between Franchisor, as franchisor, and Area Developer, or an Affiliate or Owner of Area Developer, as franchisee, or any location within a twenty (20) mile radius of any Taco Restaurant or a Franchised Location, as defined above; provided, however, the restrictions stated in this Section 13.2 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer in the Development Area.

13.3 Exceptions to Non-Compete Covenants. Sections 13.1 and 13.2 shall not apply to ownership by Area Developer or an Owner of a less than five percent (5%) beneficial interest in the outstanding equity securities of any Competitive Business registered under the Securities Act of 1833, the Securities Exchange Act of 1834.

13.4 Reducing Scope of Covenants. Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 13.1 and 13.2, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof, and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

13.5 Enforceability of Covenants Not Affected by Area Developer Claims. The existence of any claims Area Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 13. Area Developer shall pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Article 13.

13.6 Covenants from Individuals. Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 13 (including covenants applicable upon the termination of a person's relationship with Area Developer) from all Owners. Every covenant required by this Section 13.6 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

13.7 Breach of Covenants Causes Irreparable Injury. Area Developer acknowledges that the violation of any covenant in this Article 13 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

13.8 Effect of Applicable Law. In the event any portion of the covenants in this Article 13 violates laws affecting Area Developer, or is held invalid or unenforceable in a final judgment to which Franchisor and Area Developer are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Area Developer. The provisions of this Article 13 shall be in addition to and not in lieu of any other confidentiality obligation of Area Developer, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

13.9 Survival. The provisions of this Article 13 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to

Franchisor for any infringement of, violation of, or interference with, this Agreement, or the Chronic Tacos Marks, the Chronic Tacos System, the Confidential Information, the Trade Secrets, or any other proprietary aspects of Franchisor's business.

14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 No Fiduciary Relationship. This Agreement does not create a fiduciary relationship between the Parties. Area Developer shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

14.2 Public Notice of Independent Status. Area Developer shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Area Developer of Franchisor, and shall place such notice of independent ownership on all forms. Franchisor shall have the right to specify the language of any such notice.

14.3 Independent Contractor. Area Developer acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, nor shall Franchisor be liable by reason of any act or omission of Area Developer in its conduct of the operation of the Taco Restaurants or for any claim or judgment arising therefrom against Area Developer or Franchisor.

14.4 Indemnification. Area Developer and its Owners and Affiliates (collectively, the "Indemnitors") shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Franchisor, its Affiliates and their respective directors, officers, employees, shareholders and agents (collectively, the "Indemnitees"), from any and all "Losses and Expenses" incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof, and regardless of whether the same is between Indemnitors and Indemnitees (collectively, an "Indemnifiable Claim") which arises directly or indirectly from, as a result of, or in connection with Area Developer's operation of a Taco Restaurant and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Area Developer; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 14.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Area Developer). For the purpose of this Section 14.4, the term "Losses and Expenses" shall mean and include compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party's reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses.

14.4.1 The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which indemnification is required under this Section 14.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a "Third Party Claim") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a "Direct Claim"), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable

Claim and the amount of the Indemnifiable Claim, if known. If, through the fault of the Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees' failure to give such notice on a timely basis.

14.4.2 With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume such control shall be made within thirty (30) days after the Indemnitors' receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless the Indemnitors consent to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses).

14.4.3 If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

14.4.4 If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees, which consent shall not be unreasonably withheld or delayed. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they becomes available).

14.4.5 With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Article 15.

14.4.6 The Indemnitees shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

15. DISPUTE RESOLUTION

15.1 Judicial Relief. The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Orange, or the United States District Court of the Central District of California. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. California law shall govern the construction, interpretation, validity and enforcement of this Agreement, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event federal law shall govern. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. Nothing in this Section 15.1 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

15.2 Waivers. The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Franchise, for themselves, and for and on behalf of the Franchisor Owners and the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Area Developer shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 15.4.

15.3 Specific Performance. Franchisor and Area Developer acknowledge that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, Franchisor and Area Developer agree that the provisions of this Agreement shall be specifically enforceable. Franchisor and Area Developer further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Area Developer might otherwise have.

15.4 Attorneys' Fees. In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a Court.

15.5 Exclusive Remedy. In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement. Each Party waives any such claim for damages. Neither Party may claim any such damages by way of setoff, counterclaim or defense. Each Party's sole remedy

Notices to Area Developer:

Attention: _____

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party.

18. ACKNOWLEDGMENTS

18.1 Waiver and Delay. No waiver by Franchisor of any Default, or series of Defaults in performance by Area Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it under this Agreement or under any agreement between Franchisor and Area Developer, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Area Developer’s obligations under this Agreement or any Franchise Agreement or other agreement between Franchisor and Area Developer, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

18.2 Survival of Covenants. The covenants contained in this Agreement which, by their nature or terms, require performance by the Parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

18.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Area Developer and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.

18.4 Joint and Several Liability. If Area Developer consists of more than one Owner, the obligations and liabilities of each person or Entity to Franchisor are joint and several.

18.5 Entire Agreement. This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations, including, without limitation, the Letter of Intent, are merged into this Agreement and superseded by this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of the Parties. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representation made in the franchise disclosure document.

18.6 Titles and Recitals. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The Recitals set forth in Recitals A through B of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.

18.7 Gender and Construction. The terms of all Exhibits attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section in this Agreement may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Area Developer that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. To protect the Chronic Tacos System, the Chronic Tacos Marks, the Chronic Tacos Trade Secrets and the goodwill associated with the same, on any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. Franchisor and Area Developer intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

18.8 Severability; Modification. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in that event, the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

18.9 Counterparts and Electronic Transmission. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

18.10 Electronic Execution and Copies. This Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and Electronic Signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits. An executed copy of this Agreement (or any portion of this Agreement) may be delivered by either of the Parties by facsimile, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (collectively, "electronic"), and delivery will be effective and binding upon the Parties, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement. Area Developer acknowledges and agrees that Franchisor may create an electronic record of any or all agreements, correspondence or other communications

between the Parties or involving third parties and may thereafter dispose of or destroy the original of any of the agreements, correspondence or other communications. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form, and will be maintained in and readable by hardware and software generally available. Notwithstanding any Applicable Law to the contrary, any electronic version of this Agreement or any other agreements, correspondence or other communications between the Parties will have the same legal effect, validity and enforceability as an original of any document, even if the original of the document has been disposed of or intentionally destroyed.

18.11 Time of the Essence. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

18.12 Acceptance of Conditions. Area Developer has read this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Chronic Tacos in order to protect and preserve the Chronic Tacos System and the goodwill of the Chronic Tacos Marks.

18.13 Independent Investigation. Area Developer has conducted an independent investigation of the business contemplated by this Agreement. Area Developer recognizes that the Chronic Tacos System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Area Developer's business ability and efforts.

18.14 Counsel. The Parties acknowledge and agree that each Party has been represented by independent legal counsel their choice in connection with this Agreement or has had the opportunity to have legal counsel review this Agreement and advise the Party regarding the same, but has voluntarily chosen not to do so.

18.15 Business Judgment. Notwithstanding any provision in this Agreement to the contrary, Area Developer and the Owners acknowledge and agree that:

18.15.1 This Agreement (and the relationship of the Parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions or refrain from taking actions not inconsistent with the explicit rights and obligations of Area Developer and the Owners hereunder that may affect Area Developer and the Owners' interests favorably or adversely. Franchisor shall use its Business Judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests, promotion, and benefit of the Chronic Tacos System and other Chronic Tacos area developers, Chronic Tacos Restaurants generally, and specifically without considering the individual interests of Area Developer or the Owners or the individual interests of any other Chronic Tacos area developer. Area Developer and the Owners acknowledge and agree that Franchisor shall have no liability to Area Developer or the Owners for the exercise of its discretion in this manner; and even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification, no trier of fact in any legal action shall substitute his or her judgment for Franchisor's judgment so exercised and no such action or decision shall be subject to challenge for abuse of discretion. If Franchisor takes any action or Franchisor chooses not to take any action in its discretion with regard to any matter related to this Agreement and its actions or inaction are challenged for any reason, the Parties expressly direct the trier of fact to find that Franchisor's reliance on a business reason in the exercise of its discretion is to be viewed as a reasonable and proper exercise of its discretion, without regard to whether other reasons for its decision may exist and without regard to whether the trier of fact would independently accord the same weight to the business reason.

18.15.2 In granting its approval of the Franchised Locations, designating suppliers, setting standards and the like, Franchisor shall exercise its Business Judgment. However, in the exercise of its Business Judgment, Franchisor shall not be liable to Area Developer or the Owners or anyone else, if Franchisor's exercise of its Business Judgment results in a business loss or if the products or services provided fail to meet the expectations of Franchisor, Area Developer, the Owners or other parties. Franchisor disclaims all warranties and liability for the acts or omissions of any contractors, vendors, suppliers, products or employees which Area Developer uses, purchases, retains or hires pursuant to Franchisor's exercise of its Business Judgment.

18.16 Intent to Comply. Area Developer has read this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Chronic Tacos Restaurants in order to protect and preserve Chronic Tacos System and the goodwill of the Chronic Tacos Marks. Area Developer, and its Owners, jointly and severally acknowledge and agree that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply with the terms of this Agreement and be bound by the terms of this Agreement.

18.17 Atypical Arrangements. Area Developer acknowledges and agrees that Franchisor may modify the offer of its franchises to other Chronic Tacos area developers and franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations which may differ from the terms, conditions, and obligations in this Agreement. Area Developer further acknowledges and agrees that Franchisor has made no warranty or representation that area development agreements or franchise agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable Business Judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Agreements previously executed or executed after the date of this Agreement with other Chronic Tacos area developers and franchisees in a non-uniform manner.

(Signature page follows)

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.,
A California corporation

By: _____
Michael Mohammed, its Chief Executive Officer

AREA DEVELOPER:

(IF AREA DEVELOPER IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):

[Print Name of Area Developer Entity]

By: _____
Name: _____
Title: _____

OR

(IF AREA DEVELOPER IS AN INDIVIDUAL):

Print Name

Signature

Print Name

Signature

CHRONIC TACOS ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT A
ENTITY INFORMATION DISCLOSURE

CHRONIC TACOS ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT A
ENTITY INFORMATION DISCLOSURE

Area Developer represents and warrants that the following information is accurate and complete in all material respects:

(1) Area Developer is a (check as applicable):

- corporation
- limited liability company
- general partnership
- limited partnership
- Other (specify): _____

State of incorporation/organization: _____

Name of Area Developer entity: _____

Federal Tax Identification #: _____

(2) Area Developer shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (the "Entity Documents").

(3) Area Developer promptly shall provide all additional information as Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Area Developer.

(4) The name and address of each Owner is:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(5) The names, addresses and titles of the Owners who will be devoting their full time to the Area Developer business are:

NAME	ADDRESS	TITLE

(6) The address where Area Developer's financial records and Entity Documents are maintained is:

_____.

(7) The Principal Owner is _____.

(8) Area Developer represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Area Development Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Area Developer shall provide Franchisor with all additional information Franchisor may request with respect to the Owners and the ownership of Area Developer. In addition, Area Developer shall notify Franchisor within ten (10) days of any change in the information set forth in this Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Area Developer to be true, correct and complete in all material respects. Franchisor grants Area Developer the rights in the Area Development Agreement in reliance upon each and all of the terms of this Entity Information Disclosure.

IN WITNESS WHEREOF, the Parties have executed this Exhibit A on the Effective Date.

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.,
A California corporation

By: _____
Michael Mohammed, its Chief Executive Officer

AREA DEVELOPER:

(IF AREA DEVELOPER IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):

[Print Name of Area Developer Entity]

By: _____
Name: _____
Title: _____

OR

(IF AREA DEVELOPER IS AN INDIVIDUAL):

Print Name

Signature

Print Name

Signature

CHRONIC TACOS ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT B
DEVELOPMENT AREA, OBLIGATION, SCHEDULE, PERIODS AND FEES

CHRONIC TACOS ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT B
DEVELOPMENT AREA, OBLIGATION, SCHEDULE, PERIODS AND FEES

A. The DEVELOPMENT AREA is defined as the territory within the boundaries described below:

If the Development Area is defined by streets, highways, freeways or other roadways then the boundary of the Development Area shall extend to the center line of each street, highway, freeway or other roadway.

B. MINIMUM DEVELOPMENT OBLIGATION: _____ Taco Restaurants

C. DEVELOPMENT FEE: \$ _____ (\$10,000 for the second Taco Restaurant and each subsequent Taco Restaurant thereafter)

D. DEVELOPMENT FEE CREDIT: \$ _____ for the second Taco Restaurant and each subsequent Taco Restaurant thereafter (maximum credit is \$10,000 per Taco Restaurant)

E. INITIAL FRANCHISE FEE: \$25,000 for the first Taco Restaurant and each subsequent Taco Restaurant

F. DEVELOPMENT SCHEDULE: _____ Taco Restaurants must be Opened in ___ months.

G.

DEVELOPMENT PERIOD ENDING	CUMULATIVE NUMBER OF TACO RESTAURANTS TO BE IN OPERATION
TOTAL	

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Exhibit B on the Effective Date.

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.,
A California corporation

By: _____
Michael Mohammed, its Chief Executive Officer

AREA DEVELOPER:

(IF AREA DEVELOPER IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):

[Print Name of Area Developer Entity]

By: _____
Name: _____
Title: _____

OR

(IF AREA DEVELOPER IS AN INDIVIDUAL):

Print Name

Signature

Print Name

Signature

CHRONIC TACOS ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT

CHRONIC TACOS ENTERPRISES, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT

The undersigned (collectively, "Guarantors") have requested CHRONIC TACOS ENTERPRISES, INC., a California corporation ("Franchisor"), to enter into an Area Development Agreement dated _____ (the "Area Development Agreement") with _____, a _____ ("Area Developer"). In consideration for, and as an inducement to, Franchisor's execution of the Area Development Agreement, Guarantors hereby grant this guarantee (this "Guarantee") and agree as follows:

1. "Obligations" means and includes any and all obligations of Area Developer arising under or pursuant to the Area Development Agreement and all other obligations, whether now existing or hereafter arising, of Area Developer to Franchisor of whatever nature.
2. Guarantors irrevocably and unconditionally, fully guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Area Developer to Franchisor and the performance of any and all Obligations of Area Developer including, without limitation, Obligations under the Area Development Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.
3. If Area Developer fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary obligation of Guarantors. Guarantors agree that if any Obligation, covenant or agreement contained in the Area Development Agreement is not observed, performed or discharged as required by the Area Development Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, observe, perform or discharge such obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors.
4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Area Developer or any other person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Franchisor. Without limiting the generality of the foregoing, Guarantors agree that, regardless of whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Area Development Agreement or of any of the Obligations, in whole or in part; (ii) any acceptance, enforcement or release by Franchisor of any security for the Area Development Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Area Development Agreement or the Obligations or any security therefore; (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any assignment or transfer of the Area Development Agreement (or any of them) by Franchisor or Area Developer; (iv) the invalidity or unenforceability of any provision of the Area Development Agreement or any of the Obligations; or (v) any failure, omission or delay of Franchisor in enforcing the Area Development Agreement, the Obligations or this Guarantee.

5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Area Developer or any other person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in Franchisor's power; (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby; (iii) any defense that may arise by reason of Area Developer's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Area Developer, any other or others; (iv) any defense arising out of any alteration of the Area Development Agreement or the Obligations; (v) notice of Area Developer's default in the payment or performance of any of the Obligations; (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or of any action or non-action on the part of Area Developer, Franchisor, any endorser, creditor of Area Developer or Guarantors under this or any other instrument, or any other person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed; (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Area Developer by operation of Applicable Law or otherwise; (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Area Developer, regardless of whether Franchisor has reason to believe that any such facts materially increase the risk beyond that which Guarantors intends to assume or has reason to believe that such facts are unknown to Guarantors or has a reasonable opportunity to communicate such facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Area Developer's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed; and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Area Developer. All existing or future indebtedness of Area Developer to Guarantors and any right to withdraw capital invested in Area Developer by Guarantors are hereby subordinated to all Obligations.

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and such rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through 2856(a)(3), inclusive, including, without limitation, any rights or defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Sections 2899.

8. The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Area Developer's Obligations. This is a continuing Guarantee. It shall be irrevocable during the initial term and each renewal term and through any extensions, amendments, modifications, substitutions or replacements of the Area Development Agreement and until all Obligations have been fully paid and the Obligations have been fully performed. In the event of any default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Area Developer or whether Area Developer is joined in any such action or actions. Franchisor may maintain successive actions for other defaults.

Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any such action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The obligations of Guarantors shall be primary and are independent of the Obligations of Area Developer and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Area Developer or any other person or entity, or applying or enforcing any security of the Area Development Agreement. Guarantors acknowledge and agree that Guarantors shall, and hereby are, bound by each and all of the confidentiality and non-competition provisions of the Franchise Agreement.

9. Nether any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter of this Guarantee and no representation, understanding, promise or condition concerning the subject matter of this Guarantee shall bind Franchisor unless expressed in this Guarantee.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Article 18 of the Area Development Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantors' signature below.

11. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12. This Guarantee shall be governed by and construed in accordance with the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. Nothing in this Paragraph 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Orange. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

Executed by or on behalf of Guarantors on the date set forth below.

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT C
CONFIDENTIALITY AGREEMENT FOR PROSPECTIVE FRANCHISEES

CHRONIC TACOS ENTERPRISES, INC.
CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "Agreement") is made this ____ day of _____, 20__, by and between CHRONIC TACOS ENTERPRISES, INC., a California corporation ("Franchisor"), on the one hand, and _____, a _____ ("Candidate"), on the other hand, with reference to the following facts:

A. Franchisor has developed the "Chronic Tacos System" for the establishment and operation of Chronic Tacos fast-casual restaurants ("Taco Restaurants") that use the trade name and service mark "Chronic Tacos" and other related trademarks, service marks, logos and commercial symbols (the "Proprietary Marks"). The Proprietary Marks used to identify the Chronic Tacos System may be modified by Franchisor, from time to time. Franchisor continues to develop, use and control the use of the Proprietary Marks in order to identify for the public the source of services and products marketed under the Proprietary Marks and the Chronic Tacos System, and to represent the Chronic Tacos System's high standards of quality, appearance and service.

B. The distinguishing characteristics of the Chronic Tacos System include, without limitation, Franchisor's operating methods and business practices related to the Taco Restaurants, and the relationship between Franchisor and its franchisees, including interior and exterior Taco Restaurant design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product offerings, recipes and preparation methods, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs, Franchisor's website, all as Franchisor may modify the same from time to time.

C. Franchisor may provide Candidate with confidential and proprietary information regarding the Chronic Tacos System prior to granting or declining to grant Candidate a franchise or entering into a franchise agreement with Candidate. Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. INCORPORATION OF RECITALS.

The recitals set forth in Paragraph A through Paragraph C above are true and correct and are hereby incorporated by reference into the body of this Agreement.

2. CONFIDENTIALITY.

2.1. Confidential Information. Candidate acknowledges and agrees that the Chronic Tacos System is comprised of confidential information that has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor and its affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods

and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Taco Restaurant which may be communicated to Candidate, or of which Candidate may be apprised, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "Confidential Information"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Candidate after receiving it; has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor or Candidate; or is shown by acceptable evidence to have been independently developed by Candidate.

2.2. Value. Candidate acknowledges and agrees the Confidential Information is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Candidate; derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor, its franchisees or Candidate; and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements.

2.3. Maintain Confidentiality. Candidate shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its trade secrets and/or Confidential Information. Candidate shall divulge such Confidential Information only to such of its employees who must have access to it in order to perform their employment responsibilities.

3. GENERAL.

3.1. Injunction. Candidate recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the Chronic Tacos System and agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information will cause irreparable damage to Franchisor and its franchisees. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of the Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3.2. Heirs and Successors. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

3.3. Entire Agreement. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.4. No Warranties. Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the franchised business, that Candidate has been informed by Franchisor that there can be no guaranty of success in the franchised business and that Candidate's business ability and aptitude is primary in determining his success.

3.5. No Right to Use the Chronic Tacos System or the Proprietary Marks. This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3.6. Waiver. Failure by Franchisor to enforce any rights under this 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.

3.7. Validity. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.8. Headings and Gender. The headings herein are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.9. Attorneys' Fees. If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Candidate or its authorized representatives, Candidate shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If either party commences a legal proceeding against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

3.10. Cumulative Remedies. Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

(Signature Page Follows)

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.,
A California corporation

By: _____
Michael Mohammed, its Chief Executive
Officer

CANDIDATE:

A _____

By: _____

Name: _____

Title: _____

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT D
OPTION TO OBTAIN LEASE ASSIGNMENT

CHRONIC TACOS ENTERPRISES, INC.
OPTION TO OBTAIN LEASE ASSIGNMENT

CHRONIC TACOS ENTERPRISES, INC.
OPTION TO OBTAIN LEASE ASSIGNMENT

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CHRONIC TACOS ENTERPRISES, INC.
OPTION TO OBTAIN LEASE ASSIGNMENT

THIS OPTION TO OBTAIN LEASE ASSIGNMENT (this "Agreement") is made and entered into as of _____ (the "Effective Date"), by and between CHRONIC TACOS ENTERPRISES, INC., a California corporation ("Franchisor"), and _____, a _____ ("Franchisee"), and _____, a _____ ("Landlord"), with reference to the following facts:

A. On _____, Landlord, as lessor, and Franchisee, as tenant, entered into a Lease (the "Lease") for the premises located at _____ (the "Franchised Location") pursuant to which Franchisee leased the Franchised Location from Landlord for the purpose of operating a franchised Chronic Tacos restaurant (the "Restaurant") at the Franchised Location.

B. On _____, Franchisor, as franchisor, and Franchisee, as franchisee, entered into a Franchise Agreement (the "Franchise Agreement") pursuant to which Franchisee agreed to operate the Restaurant at the Franchised Location as a franchisee of Franchisor in accordance with the terms and conditions of the Franchise Agreement.

C. Franchisee, Franchisor and Landlord desire to enter into this Agreement to define the rights of Franchisor in and to the Franchised Location and to protect the interests of Franchisor with respect to the continued operation of a Chronic Tacos restaurant at the Franchised Location during the entire term of the Lease and any renewals and extensions of the Lease on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. INCORPORATION OF RECITALS.

The Recitals set forth in Paragraph A through C of this Agreement are true and correct and are incorporated into this Agreement as part of this Agreement.

2. OPTION.

Franchisee does hereby grant to Franchisor an option, exercisable at any time within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement (the "Option"), to succeed to Franchisee's rights under the Lease and to obtain an assignment of the rights and obligations of Franchisee under the Lease to Franchisor (the "Assignment").

3. ONLY EFFECTIVE UPON EXERCISE OF OPTION.

This Agreement shall be effective upon the Effective Date; however, the Assignment shall only become effective if, and when, Franchisor expressly exercises the Option in writing after the occurrence of one or more of the following events:

3.1 Franchise Agreement. The occurrence of (i) any acts which would result in the immediate termination of the Franchise Agreement; or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Franchise Agreement, which default is not cured within the applicable cure period set forth in the Franchise Agreement.

3.2 Lease. The occurrence of (i) any acts which would result in the termination or merger of the Lease; or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Lease which default is not cured within the applicable cure period set forth in the Lease.

3.3 Sale of Restaurant. If Franchisee, without the prior written consent of Franchisor, either (i) sells, transfers, assigns, sublets or enters into any agreement to sell, transfer, assign or sublet any of its right, title or interest in and to the Restaurant, including any transfer, assignment or sublet of the Franchise Agreement, the Lease or any of the operating assets of the Restaurant; or (ii) amends the Lease in any manner which would impair the value of the security granted by this Agreement or which would materially affect the rights of Franchisor under this Agreement.

3.4 Failure to Exercise Option to Renew or Extend. If Franchisee shall fail to exercise any option to renew or extend the term of the Lease.

3.5 Insolvency. If Franchisee (i) is adjudicated insolvent or makes an assignment for the benefit of creditors; or (ii) Franchisee applies for or consents to the appointment of a custodian, receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) if such a custodian, receiver, trustee or similar officer is appointed without the application or consent of Franchisee, and such appointment continues undischarged for a period of sixty (60) days.

3.6 Bankruptcy. If Franchisee (i) is adjudicated bankrupt or institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (ii) any such proceeding is instituted (by petition, application or otherwise) against Franchisee and remains undismitted for a period of sixty (60) days.

3.7 Purchase of Franchised Location. If Franchisee or any entity with which Franchisee has any financial interest enters into any agreement to purchase the Franchised Location from Landlord.

Franchisee and Landlord shall each provide Franchisor with independent and separate written notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement no later than fifteen (15) days after the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement.

4. CONSENT TO ASSIGNMENT.

Landlord hereby consents to the Assignment and agrees that its consent to the Assignment shall remain in effect during the entire term of the Lease and any and all renewals and extensions of the Lease. The Lease shall not be amended, modified, altered, assigned, extended, renewed or terminated by Landlord, nor shall the Franchised Location be sublet by Franchisee with the consent of Landlord, without the prior written consent of Franchisor.

5. EXERCISE OF OPTION BY FRANCHISOR.

Franchisor shall exercise the Option by giving written notice to Franchisee and Landlord of its affirmative election to do so within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement.

5.1 Cure Defaults. If Franchisor exercises the Option, Franchisee, Franchisor or its franchisee-designee, shall have the right to cure all uncured defaults of Franchisee under the Lease which exist as of the date of the exercise of the Option when Franchisor or its franchisee-designee is put into actual possession of the Restaurant. The period of time to cure all defaults of Franchisee under the Lease shall be reasonably and appropriately extended by Landlord beyond the cure period provided to Franchisee under the Lease.

5.2 Assignment of Rights. Franchisor shall have the right, concurrently with or subsequent to Franchisor's exercise of the Option, to assign and transfer its rights under this Agreement to an affiliate or a franchisee of Franchisor without the prior consent of Landlord. In the event of such an assignment or transfer, the Franchisor's affiliate-designee or franchisee-designee shall obtain the Assignment in place and instead of Franchisor.

5.3 Indemnification by Assignor. Franchisee agrees to pay and reimburse Franchisor and to hold Franchisor harmless from and against any and all costs, damages, attorneys' fees, liabilities or other expenses of any nature whatsoever incurred by Franchisor in connection with the enforcement of Franchisor's rights and/or the performance of Franchisor's rights or obligations under this Agreement. Franchisor's exercise of the Option shall not release Franchisee from any liability to Landlord or Franchisor for any rents, costs, damages, attorneys' fees, liabilities or other expenses incurred by Franchisor or Landlord as a result of Franchisee's defaults or actions under Sections 3.1 through 3.7 of this Agreement.

6. TERM OF AGREEMENT.

This Agreement shall terminate upon the termination of the Lease with the written consent of Franchisor.

7. TERMINATION OF LEASE AND FRANCHISE AGREEMENT.

7.1 Termination of Lease. If, and only if, Franchisor exercises the Option, upon any termination of the Lease prior to the expiration date of the Lease or upon expiration of the term of the Lease in violation of Section 3.4 of this Agreement, following Franchisor's exercise of the Option, Franchisor shall, in Franchisor's discretion, either succeed to Franchisee's rights under the Lease or Landlord shall enter into a substitute lease for the Franchised Location with Franchisor, or its designee, on the identical terms and conditions as contained in the Lease, for the remaining term of the Lease, with identical extension or renewal options, within ten (10) business days of the termination or expiration of the Lease.

7.2 Termination of Franchise Agreement. Upon Franchisor's exercise of the Option, Franchisee shall surrender possession of the Franchised Location to Franchisor and Franchisor shall be entitled to, and Franchisee shall provide Franchisor with, immediate possession of the Franchised Location and Franchisee shall no longer be entitled to the use or occupancy of the Restaurant or the Franchised Location, including all of Franchisee's rights in and to the same, including all improvements, buildings and fixtures which are a part of the same will, in all respects, be deemed to have been terminated and, under the terms of this Agreement and the applicable provisions of the Franchise Agreement, assigned to Franchisor. Franchisor shall have the right to manage and operate the Restaurant at the Franchised Location immediately upon its exercise of the Option.

7.3 De-Identification of Restaurant. If Franchisor does not exercise the Option upon a termination of the Franchise Agreement and/or Lease, Franchisor shall have the right to enter the Restaurant and the Franchised Location to remove and modify to Franchisor's satisfaction, all distinctive design features and characteristics

of the Restaurant and the Franchised Location, including distinctive interior designs and surface materials and refrigeration equipment, display fixtures, color décor and interior and exterior signs and all other items identifying the Restaurant and the Franchised Location as a Chronic Tacos restaurant.

8. RESTRICTIONS ON TRANSFER.

This Agreement may not be assigned by Franchisee without the prior written consent of Franchisor. Franchisee shall not sell, transfer, assign, sublet or otherwise encumber any or all of its right, title or interest in and to the Restaurant, the Franchise Agreement or the Lease, except in accordance with the applicable terms and conditions of the Franchise Agreement. Franchisee shall not amend, modify or alter the Lease during the term of this Agreement without the prior written consent of Franchisor and shall provide Franchisor with at least thirty (30) days prior written notice of any proposed amendment, modification, alteration, extension or renewal of the Lease.

9. POWER OF ATTORNEY.

Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to exercise any and all of Franchisee's rights in, to and under the Lease and in and to the Franchised Location upon the occurrence of a default or an event of default under the Lease or Franchise Agreement. Landlord acknowledges this appointment and agrees to recognize and accept the rights and actions of Franchisor under this appointment.

10. GENERAL PROVISIONS.

10.1 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State in which the Franchised Location is located.

10.2 Notices. All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

If to Franchisor: Chronic Tacos Enterprises, Inc.
95 Enterprise, Suite 320
Aliso Viejo, California 92656
Attention: President

With a copy (which shall not constitute notice) to:

Barry Kurtz, Esq.
Lewitt Hackman
A Law Corporation
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Fax: (818) 981-4764

If to Franchisee: _____

Attention: _____
Facsimile No.: _____

If to Landlord: _____

Attention: _____
Facsimile No.: _____

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties.

10.3 Waivers. The delay, omission or forbearance by Franchisor to take action to remedy or seek damages for the breach or default of any term, covenant or condition of this Agreement or to exercise any right, power or duty arising from such breach or default shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach or default of the same or any other term, covenant or condition of this Agreement. The subsequent acceptance of performance by Franchisor shall not be deemed to be a waiver of any preceding breach or default by Franchisee other than its failure to pay the particular payment so accepted, regardless of Franchisor's knowledge of such preceding breach or default at the time of acceptance of such payment.

10.4 Attorneys' Fees. If any legal action is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled.

10.5 Modification. This Agreement may be modified only by a writing executed by the party sought to be bound.

10.6 Entire Agreement. This Agreement, and the other agreements referred to in this Agreement, and any other agreement that may be executed by the parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the parties with regard to the subject matter of this Agreement and any agreement, representation or understanding, express or implied, heretofore made by either party or exchanged between the parties are hereby waived and canceled.

10.7 Cumulative Remedies. Any specific right or remedy set forth in this 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.

10.8 Captions. The various titles of the Sections in this Agreement are used solely for convenience and shall not be used in interpreting or construing any word, clause, Section or subparagraph of this Agreement.

10.9 Gender. All words used in this Agreement in the singular shall include the plural and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine.

10.10 Successors. This Agreement shall be binding upon all of the parties to this Agreement, their respective heirs, executors, administrators, personal representatives, successors and assigns.

10.11 Severability. The invalidity of any one or more of the provisions contained in this Agreement, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

10.12 Additional Documents. Each of the parties agrees to execute, acknowledge and deliver to the other party and to procure the execution, acknowledgment and delivery to the other party of any additional documents or instruments which either party may reasonably require to fully effectuate and carry out the provisions of this Agreement.

10.13 Counterparts and Electronic Transmission; Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement and all Exhibits to this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

10.14 Review. Franchisee acknowledges that Franchisee has carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that Franchisee has obtained the advice of counsel in connection with entering into this Agreement, that Franchisee understands the nature of this Agreement and that Franchisee intends to comply herewith and be bound hereby. Franchisee further acknowledges that it has read and understood this Agreement and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

10.15 Atypical Terms. Franchisee acknowledges and agrees that Franchisor has made no warranty or representation that all Option to Obtain Lease Assignment Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Option to Obtain Lease Assignment Agreements previously executed or executed after the date of this Agreement with other Chronic Tacos franchisees in a non-uniform manner.

[Signatures on Next Page]

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

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.,
A California corporation

By: _____
Michael Mohammed, its Chief Executive Officer

FRANCHISEE:

A _____

By: _____

Name: _____

Title: _____

LANDLORD:

A _____

By: _____

Name: _____

Title: _____

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E
GENERAL RELEASE

CHRONIC TACOS ENTERPRISES, INC.
GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this "Release Agreement") is made and entered into as of _____ (the "Effective Date"), by and among CHRONIC TACOS ENTERPRISES, INC., a California corporation ("Franchisor"), on the one hand, and _____ a _____ ("Franchisee"), and _____ ("Owner"), on the other hand, who are collectively referred to in this Release Agreement as the "Releasing Parties", with reference to the following facts:

A. Franchisor and Franchisee are parties to that certain Franchise Agreement and related ancillary agreements dated _____ (collectively, the "Franchise Agreement") pursuant to which Franchisor granted Franchisee a license (the "License") to use the service mark and trade name "Chronic Tacos" and other related trademarks, service marks, logos and commercial symbols (the "Chronic Tacos Marks") and the "Chronic Tacos System" (the "System") in connection with the operation of a Chronic Tacos Restaurant (the "Restaurant") located at _____ (the "Franchised Location").

B. Franchisee desires to enter into a _____.

C. This Release Agreement has been requested at a juncture in the relationship of the parties where Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Franchisor is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a "clean slate" and that there are no outstanding grievances or Claims against it. Releasing Parties, therefore, gives this Release Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the parties. Releasing Parties acknowledges that this Release Agreement is intended to wipe the slate clean.

NOW, THEREFORE, IT IS AGREED:

1. **DEFINITIONS.** As used in this Release Agreement, the following capitalized terms have the meanings ascribed to them.

1.1 "Claims" means all actual and alleged claims, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature, whatsoever, whether known or unknown, matured or unmatured, accrued or unaccrued, suspected or unsuspected, contingent or non-contingent, liquidated or unliquidated, choate or inchoate, and whether or not asserted, threatened, alleged, or litigated, at law, equity, or otherwise.

1.2 "Constituents" means past, present and future affiliates, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

1.3 "Excluded Matters" means Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Franchise Agreement on and after the date of this Release Agreement.

1.4 “Franchisor Released Parties” means Franchisor and each of its Constituents.

1.5 “Losses” means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys’ fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration.

2. GENERAL RELEASE AGREEMENT. Releasing Parties, for themselves and their Constituents, hereby release and forever discharge Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, including, without limitation any and all Claims which relate to the Franchise Agreement, the Restaurant, the System, the License, the Marks, and the Franchised Location, or to any other agreement entered into prior to the Effective Date between Franchisor Released Parties, on the one hand, and Releasing Parties, on the other hand, except for the Excluded Matters and obligations under this Release Agreement. This waiver, release and discharge is effective immediately in its fullest and most comprehensive sense. This Release Agreement does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

3. WAIVER OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE.

3.1 Section 1542 of the California Civil Code. Releasing Parties, for themselves and their Constituents, acknowledge that they are familiar with Section 1542 of the California Civil Code, which reads 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.

3.2 Waiver. With respect to those Claims being released pursuant to Section 2, Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown Claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this Section 3, Releasing Parties shall be considered to be creditors of the Franchisor Released Parties, and each of them.

4. UNKNOWN CLAIMS. Releasing Parties acknowledge and agree that among the wide and comprehensive range of Claims being waived, released, and discharged by this Release Agreement, they are waiving, releasing, and discharging unknown and unsuspected Claims which, if known or suspected by Releasing Parties to exist in their favor at the time of executing this Release Agreement, may have materially affected Releasing Parties’ decision to enter into this Release Agreement. It is understood by Releasing Parties that, after the Effective Date, the facts under which this Release Agreement is entered into may turn out to be other than or different from the facts Releasing Parties knew or believed to be true on the Effective Date. Releasing Parties, therefore, expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects final and effective and not subject to termination or rescission by any such difference in facts.

5. REPRESENTATIONS AND WARRANTIES. Releasing Parties hereby represent and warrant that, in entering into this Release Agreement, Releasing Parties: (i) are doing so freely and voluntarily, either upon the advice of counsel and business advisors of Releasing Parties’ own choosing, or without such advice because Releasing

Parties, free from coercion, duress or fraud, declined to obtain such advice; (ii) have read and fully understand the terms and scope of this Release Agreement; (iii) understand that this Release Agreement is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) have not assigned, transferred, or conveyed to any third party all or any part of their interest, or any contingent interest, in any of the Claims released by this Release Agreement now or in the future, and are aware of no third party who contends or claims otherwise, and shall not purport to assign, transfer, or convey any interest in any such Claim after the Effective Date.

6. COVENANTS NOT TO SUE. Releasing Parties hereby irrevocably covenant that they will not, directly or indirectly: (i) commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement; or (ii) assist or encourage any person or entity to investigate, inquire into, commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement.

7. INDEMNITY. Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims whether or not involving third-party Claims, arising directly or indirectly from or in connection with: (i) the assertion by or on behalf of Releasing Parties or their Constituents of any Claim or other matter released pursuant to this Release Agreement; (ii) the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement; (iii) any breach of representations, warranties or covenants hereunder by Releasing Parties or its Constituents; or (iv) the Franchise Agreement, the Restaurant, the Franchised Location, and/or any and all claims of creditors, customers, vendors, suppliers or invitees of the Restaurant, or other third parties, for obligations incurred and/or acts or omissions to act by Franchisee, both prior to and following the Effective Date.

8. GENERAL PROVISIONS.

8.1 Amendment. This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties.

8.2 Entire Agreement. This Release Agreement, together with the agreements referenced in this Release Agreement, constitute the entire understanding between and among the parties with respect to the subject matter of this Release Agreement and supersedes any prior negotiations and agreements, oral or written, with respect to the subject matter of this Release Agreement. The Recitals set forth in Paragraphs A through C of this Release Agreement are true and correct and are incorporated into this Release Agreement as part of this Release Agreement.

8.3 Counterparts and Electronic Transmission; Electronic Signatures. This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Release Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Release Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Release Agreement. In addition, this Release Agreement may be signed electronically by the parties and electronic signatures appearing on this Release Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Release Agreement.

8.4 Heirs, Successors and Assigns. This Release Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and permitted assigns. In addition, each of Franchisor

Released Parties that is not a party shall be a third party beneficiary of this Release Agreement, with the right to enforce this Release Agreement for his, her, or its benefit, whether acting alone or in combination with any other Franchisor Released Party.

8.5 Interpretation. The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the parties, and shall have no applicability in construing this Release Agreement or any of its terms. The headings used in this Release Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Release Agreement. As used in this Release Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

8.6 Severability and Validity. Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions of this Release Agreement or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

8.7 Governing Law and Venue. This Release Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 8.7 is intended by the parties to subject this Release Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought in the Superior Court of California, County of Orange, or the United States District Court for the Central District of California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

8.8 Authority of Franchisor. Franchisor represents and warrants that (i) Franchisor has the power and authority to enter into this Release Agreement and to perform its obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individual who executes this Release Agreement on Franchisor's behalf is duly authorized to do so without the approval or consent of any other person or entity.

8.9 Authority of Releasing Parties. Releasing Parties represent and warrant that (i) they have the power and authority to enter into this Release Agreement and to perform their obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individuals who execute this Release Agreement on Releasing Parties' behalfs are duly authorized to do so without the approval or consent of any other person or entity.

8.10 No Waiver. No delay, waiver, omission, or forbearance on the part of any party to exercise any right, option, duty, or power arising out of any breach or default by any other party of any of the terms, provisions, or covenants of this Release Agreement, and no custom or practice by the parties at variance with the terms of this Release Agreement, shall constitute a waiver by any party to enforce any such right, option, or power as against the other parties, or as to a subsequent breach or default by the other parties.

8.11 Attorneys' Fees. If any legal action is brought to enforce the terms of this Release Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled.

8.12 Further Acts. The parties agree to execute, acknowledge and deliver to any requesting party, and to procure the execution, acknowledgment and delivery to any requesting party, of any additional documents or instruments which the requesting party may reasonably require to fully effectuate and carry out the provisions of this Release Agreement.

IN WITNESS WHEREOF, the parties to this Release Agreement have executed this Release Agreement as of the Effective Date.

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.,
A California corporation

By: _____
Michael Mohammed, its Chief Executive Officer

RELEASING PARTIES:

FRANCHISEE:

A _____

By: _____

Name: _____

Title: _____

OWNER:

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT F
STATE SPECIFIC ADDENDA

CHRONIC TACOS ENTERPRISES, INC.
STATE SPECIFIC ADDENDA

Each provision of this Addenda shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of a state are met independently, without reference to this Addenda.

CHRONIC TACOS ENTERPRISES, INC.

CALIFORNIA
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to 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 DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF ANY AGREEMENT.

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.

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 FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither we nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark 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, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign 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 a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees 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.

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.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law but we will enforce it to the extent enforceable.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

3. The maximum interest rate allowed by law in California is 10% annually.
4. You must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations for the sale of alcoholic beverages.
5. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.
6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

CALIFORNIA
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this "Addendum") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "Franchise Agreement") dated _____, by and between CHRONIC TACOS ENTERPRISES, INC, a California corporation, as franchisor ("Franchisor"), and _____, as franchisee ("Franchisee"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. For the purposes of Cal. Bus. & Prof. Code Section 20022, Franchisor and Franchisee agree that:

a. They will use the declining-balance depreciation method to calculate the value of Franchisee's assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by us under Section 20022. The purchase price by us for these assets will not include the cost of removal and transportation of those assets, which will be your responsibility.

b. For the purposes of Section 20022, you are not able to provide to us with "clear title and possession" to your Assets if those Assets are subject to liens or encumbrances including: (i) purchase money security interests; (ii) blanket security interests; (iii) rights of first refusal; (iv) liens by franchisee's landlord; or (v) tax liens.

c. For the purposes of Section 20022(h), our right of offset will include the following amounts owed by you to us or our Affiliates: (i) Royalty Fees; (ii) Marketing Fund Fees; (iii) Transfer Fees; and (iv) any other type of fee owed by you to us or our Affiliates.

2. For the purposes of Cal. Bus. & Prof. Code Section 20035, Franchisor and Franchisee agree that:

a. "Fair market value of the franchise assets" means the value of your Assets, valued according to the declining-balance method of depreciation. The purchase price by us for the Assets will not include the cost of removal and transportation of those assets, which will be your responsibility.

b. "Fair market value of the franchised business" means the "fair market value of the franchise assets" as defined above, plus goodwill. The parties agree that the value of goodwill is the amount of Royalty Fees paid by you to us within the twelve (12) month period immediately before our termination or failure to renew if we are in violation of the California Franchise Relations Act.

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

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

FRANCHISEE:

CHRONIC TACOS ENTERPRISES, INC.
A California corporation

By: _____
Name: _____
Title: _____

A _____
By: _____
Name: _____
Title: _____

CALIFORNIA
ADDENDUM TO AREA DEVELOPMENT AGREEMENT

THIS ADDENDUM TO AREA DEVELOPMENT AGREEMENT (this "Addendum") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Area Development Agreement (the "Development Agreement") dated _____, by and between CHRONIC TACOS ENTERPRISES, INC., a California corporation, as franchisor ("Franchisor"), and _____, as Area Developer ("Developer"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. For the purposes of Cal. Bus. & Prof. Code Section 20022, Franchisor and Developer agree that:
 - a. They will use the declining-balance depreciation method to calculate the value of Developer's Assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by us under Section 20022. The purchase price by us for these assets will not include the cost of removal and transportation of those Assets, which will be your responsibility.
 - b. For the purposes of Section 20022, you are not able to provide to us with "clear title and possession" to your Assets if those Assets are subject to liens or encumbrances including: (i) purchase money security interests; (ii) blanket security interests; (iii) rights of first refusal; (iv) liens by Developer's landlord; or (v) tax liens.
 - c. For the purposes of Section 20022(h), our right of offset will include the following amounts owed by you to us or our Affiliates: (i) Royalty Fees; (ii) Marketing Fund Fees; (iii) Transfer Fees; and (iv) any other type of fee owed by you to us or our Affiliates.
2. For the purposes of Cal. Bus. & Prof. Code Section 20035, Franchisor and Developer agree that:
 - a. "Fair market value of the franchise assets" means the value of your Assets, valued according to the declining-balance method of depreciation. The purchase price by us for the Assets will not include the cost of removal and transportation of those assets, which will be your responsibility.
 - b. "Fair market value of the franchised business" means the "fair market value of the franchise assets" as defined above, plus goodwill. The parties agree that the value of goodwill is the amount of Royalty Fees paid by you to us within the twelve (12) month period immediately before our termination or failure to renew if we are in violation of the California Franchise Relations Act.
3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.
A California corporation

By: _____
Name: _____
Title: _____

AREA DEVELOPER:

A _____

By: _____
Name: _____
Title: _____

NEW YORK
ADDENDUM TO DISCLOSURE DOCUMENT

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NYS DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an

action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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

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

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

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

6. Franchise Questionnaires and Acknowledgements:

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

7. Receipts:

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

NEW YORK
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this "Addendum") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "Franchise Agreement") dated _____, by and between _____, as franchisor ("Franchisor") and _____, as franchisee ("Franchisee"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

The parties to the Franchise Agreement hereby acknowledge and agree that:

1. To the extent required by applicable law, all rights the franchisee enjoys and any causes of action arising in the franchisee's 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.
2. The franchisee may terminate the Franchise Agreement on any grounds available by law.
3. Irrespective of any rights granted to the franchisor to assign the Franchise Agreement, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.
4. No choice of law or choice of forum provision in the Franchise Agreement should 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.
5. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall prevail.
6. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.
7. Franchise Questionnaires and Acknowledgements: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(Signature Page Follows)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

FRANCHISEE:

CHRONIC TACOS ENTERPRISES, INC.
A California corporation

A _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

CHRONIC TACOS ENTERPRISES, INC.

NEW YORK
ADDENDUM TO AREA DEVELOPMENT AGREEMENT

THIS ADDENDUM TO AREA DEVELOPMENT AGREEMENT (this "Addendum") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Area Development Agreement (the "Area Development Agreement") dated _____, by and between _____, as franchisor ("Franchisor"), and _____, as area developer ("Area Developer"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Area Development Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Area Development Agreement shall have the identical meanings in this Addendum.

The parties to the Area Development Agreement hereby acknowledge and agree that:

1. To the extent required by applicable law, all rights the area developer enjoys and any causes of action arising in the area developer's 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.
2. The area developer may terminate the Area Development Agreement on any grounds available by law.
3. Irrespective of any rights granted to the franchisor to assign the Area Development Agreement, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Area Development Agreement.
4. No choice of law or choice of forum provision in the Area Development Agreement should be considered a waiver of any right conferred upon the franchisor or upon the area developer by Article 33 of the General Business Law of the State of New York.
5. In the event of any conflict between the terms of this Addendum and the terms of the Area Development Agreement, the terms of this Addendum shall prevail.
6. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.
7. Franchise Questionnaires and Acknowledgements: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(Signature Page Follows)

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.
A California corporation

By: _____

Name: _____

Title: _____

AREA DEVELOPER:

A _____

By: _____

Name: _____

Title: _____

WASHINGTON
ADDENDUM TO DISCLOSURE DOCUMENT

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

The Act may supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There might also be court decisions which supersede the Agreement in your relationship with us, including termination and renewal of your franchise.

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

A release or waiver of rights executed by you shall not include rights under the 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, or rights or remedies under the Act, such as a right to a jury trial, might not be enforceable.

Transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.

The following paragraph is added at the end of Item 17:

If any of the provisions in this Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington Section 19.100.180 or any other requirements of the Act the provisions of the Act will prevail over the inconsistent terms of the Disclosure Document or Franchise Agreement.

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

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

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable

state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The following is added to the end of Exhibit E ("General Release"):

The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

WASHINGTON
ADDENDUM TO FRANCHISE AGREEMENT AND RELATED AGREEMENTS

In recognition of the requirements of the Washington Franchise Investment Protection Act (RCW 19.100.180), the parties to the attached Franchise Agreement agree as follows:

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

The Act may supersede the Franchise Agreement in Franchisee's relationship with Franchisor, including the areas of termination and renewal of Franchisee's franchise. There might also be court decisions which supersede the Franchise Agreement in Franchisee's relationship with Franchisor, including termination and renewal of Franchisee's franchise.

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

A release or waiver of rights executed by Franchisee shall not include rights under the 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, or rights or remedies under the Act, such as a right to a jury trial, might not be enforceable.

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

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

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

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.
A California corporation

By: _____
Michael Mohammed, Its President

FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
Name: _____
Title: _____

OR

(IF FRANCHISEE IS AN INDIVIDUAL):

Print Name

Signature

Print Name

Signature

CHRONIC TACOS ENTERPRISES, INC.

WASHINGTON

ADDENDUM TO AREA DEVELOPMENT AGREEMENT AND RELATED AGREEMENTS

In recognition of the requirements of the Washington Franchise Investment Protection Act (RCW 19.100.180), the parties to the attached Multiple Development Agreement agree as follows:

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

The Act may supersede this Agreement in Franchisee's relationship with Franchisor, including the areas of termination and renewal of Franchisee's franchise. There might also be court decisions which supersede the Agreement in Franchisee's relationship with Franchisor, including termination and renewal of Franchisee's franchise.

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

A release or waiver of rights executed by Franchisee shall not include rights under the 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, or rights or remedies under the Act, such as a right to a jury trial, might not be enforceable.

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

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

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

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

FRANCHISOR:

CHRONIC TACOS ENTERPRISES, INC.
A California corporation

By: _____
Michael Mohammed, Its President

FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
Name: _____
Title: _____

OR

(IF FRANCHISEE IS AN INDIVIDUAL):

Print Name

Signature

Print Name

Signature

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G
FINANCIAL STATEMENTS

CHRONIC TACOS ENTERPRISES, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

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DNJ & ASSOCIATES

Certified Public Accountants
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Arcadia, CA 91007
310-989-8507
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Independent Auditor's Report

To the Members
CHRONIC TACOS ENTERPRISES, INC.
Aliso Viejo, CA

Opinion

We have audited the accompanying financial statements of Chronic Tacos Enterprises, Inc. (the "Company") (a California company), which comprise the balance sheet as of December 31, 2023, and the related statement of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to financial statements.

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

Basis of Opinion

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

Prior Period Financial Statements

The financial statements of Chronic Tacos Enterprises, Inc. as of December 31, 2022 and 2021 were audited by other auditors whose report dated April 26, 2023 expressed an unmodified opinion on those statements.

Responsibility of Management for the Financial Statements

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

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

DNJ & ASSOCIATES

Arcadia, California
April 16, 2024

CHRONIC TACOS ENTERPRISES, INC.
Balance Sheets
December 31, 2023, 2022 and 2021

	Assets		
	2023	2022	2021
Current assets			
Cash	\$ 26,897	\$ 446,055	\$ 185,713
Accounts receivable - trade, net of allowance for doubtful account	98,015	71,246	76,206
Due from related parties	1,318,716	896,125	1,165,439
Refundable income taxes	-	1,271	1,271
Prepaid expenses and other current assets	51,706	44,512	69,916
Total current assets	1,495,334	1,459,209	1,498,545
Property and equipment, net	5,300	35,400	58,000
Deferred income taxes	20,000	119,876	175,012
Deposits and other assets	16,557	16,557	5,139
Right-of-use asset, net	269,855	284,249	-
Total assets	\$ 1,807,046	\$ 1,915,291	\$ 1,736,696

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

CHRONIC TACOS ENTERPRISES, INC.
Balance Sheets (Continued)
December 31, 2023, 2022 and 2021

Liabilities and Stockholders' Equity

	2023	2022	2021
Current liabilities			
Accounts payable and accrued expenses	\$ 114,346	\$ 180,773	\$ 68,415
Notes payable - vehicles, current portion	-	24,514	30,126
Deferred franchise fees, current portion	10,825	17,570	14,260
Operating lease liability, current portion	79,742	73,807	-
Gift card liability	-	30,103	53,306
Mobile application liability	-	6,524	42,129
Total current liabilities	204,913	333,291	208,236
Due to stockholder	62,627	62,627	62,627
Related party payable	-	7,500	188,000
Notes payable - vehicles, net of current portion	-	-	24,995
Deferred franchise fees, net of current portion	117,900	275,450	274,630
Operating lease liability, net of current portion	243,387	244,719	-
Notes payable - related parties	547,445	548,246	648,105
Total liabilities	1,176,272	1,471,833	1,406,593
Commitments and contingencies (Note 7)			
Stockholders' equity			
Common stock, \$0.667 stated value, 100,000 shares authorized, 1,500 issued and outstanding	1,000	1,000	1,000
Additional paid-in capital	288,689	288,689	288,689
Retained earnings	341,085	153,769	40,414
Total stockholders' equity	630,774	443,458	330,103
Total liabilities and stockholders' equity	\$ 1,807,046	\$ 1,915,291	\$ 1,736,696

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

CHRONIC TACOS ENTERPRISES, INC.
Statements of Operations
For the Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Franchise fees	\$ 210,295	\$ 45,870	\$ 14,765
Royalty fees	1,164,072	1,437,883	1,464,427
Advertising fees	295,734	343,194	334,573
Management fees	2,000	5,600	5,200
Other revenues	<u>138,385</u>	<u>124,684</u>	<u>244,097</u>
Total revenues	1,810,486	1,957,231	2,063,062
Selling, general and administrative	<u>1,534,930</u>	<u>1,669,378</u>	<u>2,070,797</u>
Income (loss) from operations	<u>275,556</u>	<u>287,853</u>	<u>(7,735)</u>
Other income (expense)			
PPP loan forgiveness	-	-	186,875
Loss on abandonment of assets	-	-	(30,366)
Loss on abandonment of judgment	-	-	(74,871)
Interest expense	(1,814)	(7,215)	(2,138)
Other income (expense)	<u>25,000</u>	<u>(74,871)</u>	<u>101,490</u>
Total other income (expense)	<u>23,186</u>	<u>(82,086)</u>	<u>180,990</u>
Income before provision for income taxes	298,742	205,767	173,255
Provision for income taxes	<u>111,876</u>	<u>92,412</u>	<u>38,426</u>
Net income	<u>\$ 186,866</u>	<u>\$ 113,355</u>	<u>\$ 134,829</u>

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

CHRONIC TACOS ENTERPRISES, INC.
Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2023, 2022 and 2021

	Common Stock		Additional paid-in capital	Retained Earnings	Total Equity
	Shares	Amount			
Balance, December 31, 2020	1,500	\$ 1,000	\$ 288,689	\$ (93,965)	\$ 195,724
Net income	-	-	-	134,829	134,829
Balance, December 31, 2021	1,500	1,000	288,689	40,864	330,553
Net income	-	-	-	113,355	113,355
Balance, December 31, 2022	1,500	1,000	288,689	154,219	443,908
Net income	-	-	-	186,866	186,866
Balance, December 31, 2023	<u>1,500</u>	<u>\$ 1,000</u>	<u>\$ 288,689</u>	<u>\$ 341,085</u>	<u>\$ 630,774</u>

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

CHRONIC TACOS ENTERPRISES, INC.
Statements of Cash Flows
For the Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
Cash flows from operating activities			
Net income	\$ 186,866	\$ 113,355	\$ 134,829
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization expense	30,100	30,100	49,222
Amortization expense - right-of-use asset	14,394	-	-
Loss on abandonment of assets	-	-	30,366
Loss on abandonment of judgment	-	-	74,871
Deferred income taxes	99,876	92,412	37,276
Changes in operating assets and liabilities			
Accounts receivable - trade	(26,769)	4,960	41,012
Accounts receivable - related parties	(422,591)	269,314	109,575
Due from related parties	-	-	(134,636)
Refundable income taxes	1,271	-	14,600
Prepaid expenses and other current assets	(7,194)	25,404	(14,268)
Deposit and other assets	-	(11,418)	-
Right of use asset	-	(284,249)	-
Accounts payable and accrued expenses	(65,977)	78,081	(81,896)
Deferred franchise fees	(164,295)	4,130	235
Gift card liability	(30,103)	(23,203)	9,187
Mobile application liability	(6,524)	(35,605)	2,239
Operating lease liability	4,603	318,526	-
Net cash provided by (used in) operating activities	<u>(386,343)</u>	<u>581,807</u>	<u>272,612</u>
Cash flows from investing activities			
Purchases of property and equipment	-	(7,500)	-
Net cash used in investing activities	<u>-</u>	<u>(7,500)</u>	<u>-</u>
Cash flows from financing activities			
Related party payable	(7,500)	(125,373)	(65,000)
Payments on notes payable - vehicles	(24,514)	(30,607)	(30,350)
Payments notes payable - related party	(801)	(157,985)	(182,487)
Due to stockholder	-	-	(62,627)
Net cash used in financing activities	<u>(32,815)</u>	<u>(313,965)</u>	<u>(340,464)</u>
Net increase (decrease) in cash	(419,158)	260,342	(67,852)
Cash, beginning of period	446,055	185,713	253,565
Cash, end of period	<u>\$ 26,897</u>	<u>\$ 446,055</u>	<u>\$ 185,713</u>
Supplementary disclosures of cash flow information			
Cash paid during the period for			
Interest	<u>\$ 1,814</u>	<u>\$ 7,215</u>	<u>\$ 2,138</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CHRONIC TACOS ENTERPRISES, INC.
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022 and 2021

1. Nature of Operations

Chronic Tacos Enterprises, Inc. (the "Company"), a California Corporation, was incorporated on December 21, 2005 for the purpose of franchising Chronic Tacos restaurants. As a franchisor, the Company enters into agreements with franchisees throughout the United States and Canada. The Company is a majority-owned subsidiary of Calivan, Inc., a Washington corporation.

The Company sells franchises to investors under franchise agreements for a 10-year term (including an additional 10-year renewal option) to operate Chronic Tacos restaurants in specific geographic territories. Upon the signing of the franchise agreements, the Company receives an initial franchise fee which is included within deferred franchise fees and amortized over the term of the agreement or renewal.

2. Summary of Significant Accounting Policies

Basis of accounting and financial statement presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements as well as related disclosures. On an ongoing basis, the Company evaluates its estimates and assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2023, 2022 and 2021.

Concentrations

The Company holds cash and cash equivalents at times may exceed federal insurance limits; however, the Company believes this credit risk is mitigated by the stability of the financial institution.

Accounts Receivable and Allowance for Credit Losses

The Company's accounts receivable consists of royalties and advertising fees due from franchisees, less an allowance for doubtful accounts.

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance (FASB Accounting Standards Codification "ASC" 326) which changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

CHRONIC TACOS ENTERPRISES, INC.
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Credit Losses (Continued)

Financial assets held by the Company that are subject to the guidance in FASB ASC 326 are trade accounts receivable. The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

The Company's allowance for expected credit losses, is Management's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company reviews its allowance for expected credit losses periodically. Management determines an allowance based on historical experience and then analyzes individual past due balances for collectability based on current conditions and reasonable and supportable forecasts. In addition, if Management believes it is probable a receivable will not be recovered, it is charged off against the allowance. For the years ended December 31, 2023, 2022 and 2021, the allowance for credit losses for accounts receivable amounted to \$53,118, \$18,118 and \$18,118, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives ranging from five years to seven years for all categories of depreciable assets. Leasehold improvements are stated at cost and depreciation is computed on the straight-line method over the shorter of the lease term or the estimated lives of the assets.

The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is included in earnings. Maintenance and repairs are expensed currently while major renewals and betterments are capitalized.

Long-lived assets of the Company are reviewed when circumstances warrant as to whether their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations. Management also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances warrant revised estimates of useful lives. There were no impairment losses recognized on long-lived assets during the years ended December 31, 2023, 2022 and 2021.

Deferred Franchise Fees

Deferred franchise fees of \$128,725, \$293,020 and \$288,890 have been included as liabilities at December 31, 2023, 2022 and 2021, and represent initial franchise fees received from franchisees that have yet to open, unamortized portion of franchise fees for franchises that have opened, and payments received for the franchises that have not opened. The deferred franchise fees of \$128,725 at December 31, 2023 represent restaurant locations that have yet to open or have not been fully amortized.

Gift Card Liability

Revenues from gift cards are recognized when redeemed or when the likelihood of redemption, based on historical experience, is deemed to be remote. Outstanding customer balances are included in gift card liability on the financial statements. There are no expiration dates on gift cards and the Company does not charge any service fees that cause a decrease to customer balances. While the Company will continue to honor all store value cards presented for payment, management may determine the likelihood of redemption to be remote for certain cards due to long periods of inactivity.

CHRONIC TACOS ENTERPRISES, INC.
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Gift Card Liability (Continued)

In these circumstances, if management also determines there is no requirement for remitting balances to government agencies under unclaimed property laws, card balances may then be recognized as revenue in the statements of operations.

During the years ended December 31, 2023, 2022 and 2021, the Company recognized no income for unredeemed gift cards which would have been included within other revenues in the accompanying statements of income (operations).

Revenue Recognition

Accounting Standards Update (“ASU”) 2014-09 requires entities to assess the products or services promised in contracts with customers at contract inception to determine the appropriate amount at which to record revenue which is referred to as a performance obligation. Revenue is recognized when control of the promised products or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for the products or services.

Revenue from contracts with customers is recognized using the following five steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Company satisfies a performance obligation.

Franchise Fees

Franchise fees are recognized as deferred revenue at the time a franchise agreement is executed or when a location commences operations. The deferred revenue is then recognized as revenue pro-rata over the term of the agreement. For area development agreements, the development fees are recognized as deferred revenue at the time an area development agreement is executed. The deferred revenue is recognized pro-rata over the term of the agreement or when the required number of franchises in the area development agreement are satisfied, whichever occurs earlier.

Royalty Fees

In addition to the franchise fee, each of the franchise locations is required to remit to the Company a weekly royalty fee (typically 6%) of restaurant sales.

Advertising

In accordance with the franchise agreements, the Company collects an advertising fee of 2% of sales, or at rates determined by the individual agreements. The advertising fees are used for advertising and promotion of the brand. The Company recognizes advertising revenue in other revenues in the statements of operations.

CHRONIC TACOS ENTERPRISES, INC.
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Advertising (Continued)

The Company expenses advertising costs as incurred. Advertising expenses are included in brand development fund expense for the years ended December 31, 2023, 2022 and 2021 amounted to approximately \$126,149, \$399,984 and \$336,029, respectively.

Income Taxes

As a C Corporation, the Company accounts for income taxes under the liability method. Deferred income tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amount expected to be realized.

The Company's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Lease arrangements

The Company has adopted FASB ASC 842, Leases, with a date of initial application of January 1, 2022. The Company determines whether an arrangement is or contains a lease at contract inception. For leases with a lease term greater than one year, the Company recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. Operating leases meeting the requirements, are included in operating lease right-of-use ("ROU") assets, and the corresponding operating lease liability in the Company's balance sheet at December 31, 2023. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Company uses its estimated incremental borrowing rate ("IBR"). The Company considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Company is reasonably certain to exercise the option, (2) terminate the lease if the Company is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

The operating lease right-of-use assets also include any lease payments made and is net of lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease costs associated with short-term leases each month as the expense is incurred.

The Company made an accounting policy election by class of underlying asset to account for each separate lease component of a contract and its associated non-lease components (lessor-provided maintenance) as a single lease component.

CHRONIC TACOS ENTERPRISES, INC.
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022 and 2021

3. Franchise Locations

Open restaurants consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Opened at the beginning of the year	36	45	45
Opened during the year	1	4	4
Closed during the year	<u>(8)</u>	<u>(13)</u>	<u>(4)</u>
Opened at the end of the year	<u>29</u>	<u>36</u>	<u>45</u>

At December 31, 2023, 2022 and 2021, the Company had 28, 40 and 49 signed franchise agreements, respectively. Franchise fees received by the Company for services not yet performed are included within deferred franchise fees in the balance sheets.

Area Developer Agreements

The Company enters into area developer agreements with franchisees for exclusive rights to open and operate restaurants within specific regions around the United States per an agreed upon schedule unique to each agreement and location.

4. Property and equipment

Property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Vehicles	\$ 210,598	\$ 210,598	\$ 289,725
Equipment	54,390	54,390	58,045
Leasehold improvements	<u>8,100</u>	<u>8,100</u>	<u>24,717</u>
	273,088	273,088	372,487
Less: Accumulated depreciation and amortization	<u>(267,788)</u>	<u>(237,688)</u>	<u>(314,487)</u>
	<u>\$ 5,300</u>	<u>\$ 35,400</u>	<u>\$ 58,000</u>

5. Related Party Transactions

Due From Related Parties

Details of the due from related parties are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Due from related parties represents funds loaned to restaurant locations owned by current and former stockholders of the Company as well as third parties. The amounts due are unsecured and noninterest bearing. Management believes the remaining funds to be fully collectible and will be collected in the next twelve months.	<u>\$ 1,318,716</u>	<u>\$ 896,125</u>	<u>\$ 1,165,439</u>

CHRONIC TACOS ENTERPRISES, INC.
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022 and 2021

5. Related Party Transactions (Continued)

Due From Related Parties (Continued)

During fiscal year 2020, the Company was forced to continue to provide advances to the related and third parties as well as to relax collection efforts from these parties as a result of the challenges brought by the COVID-19 pandemic. The longer the ill effects of the pandemic continued, the greater the risk as to the collection of these receivables. As a result of the negative effects of these challenges the Company was forced to write off \$178,886 of these receivables and they were charged to bad debt expense in the statements of income (operations) for the year ended December 31, 2021.

Notes Payable – Related Parties

Notes payable – related parties, net are as follows:

	2023	2022	2021
Unsecured promissory note, non-interest bearing, with Mobro Investments, Inc. (“Mobro”), a related party through common ownership. There is no due date for the loan and therefore the entire balance has been classified as a long-term liability in the accompanying balance sheets.	<u>\$ 547,445</u>	<u>\$ 548,246</u>	<u>\$ 648,105</u>

Due to Stockholder

The amounts due to stockholder of \$62,627, \$62,627 and \$62,627 at December 31, 2023, 2022 and 2021, respectively, are unsecured, non-interest bearing, management does not expect the respective balance to be paid during December 31, 2023, as such, this balance has been included in long-term liability.

6. Notes Payable – Vehicles

Notes payable – Vehicles are as follows:

	2023	2022	2021
Note payable, annual interest at 3.00%, payable in monthly payments of \$2,151, secured by a vehicle owned by the Company, matures in January 2024.	\$ -	\$ 24,000	\$ 48,000
Note payable, annual interest at 5.19%, payable in monthly payments of \$267, secured by a vehicle owned by the Company, matured in March 2023.	-	514	3,561
Note payable, annual interest at 5.19%, payable in monthly payments of \$266, secured by a vehicle owned by the Company, matured in 2022.	<u>-</u>	<u>-</u>	<u>3,560</u>
Current portion	<u>-</u>	<u>24,514 (24,514)</u>	<u>55,121 (30,126)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$24,995</u>

CHRONIC TACOS ENTERPRISES, INC.
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022 and 2021

7. Commitment and Contingencies

Leases

The Company leases its office building. This lease is classified as an operating lease and has an original term of 5 years. Payments under this lease arrangement is all fixed. In 2022, the Company exercised its right to renew its lease for office space under an operating lease that now expires at the end of 2027. The monthly payment increases by approximately 3% on January 1st of each year. Total operating lease cost amounted to approximately \$107,000, \$77,000 and \$114,000, for the years ended December 31, 2023, 2022 and 2021, respectively. Cash paid for amounts included in the measurement of operating lease liabilities amounted to approximately \$88,000, \$29,000 and \$0, for the years ended December 31, 2023, 2022 and 2021, respectively.

The weighted average remaining lease term and weighted average discount rate for operating lease is as follows:

Weighted average remaining lease term (in years)	3
Weighted average discount rate	4.00%

Future maturities of operating lease liability are as follows:

Year ending December 31	
2024	\$ 90,913
2025	93,640
2026	96,450
2027	66,229
	<hr/>
	347,232
Less: interest	(24,103)
	<hr/>
Present value of lease liability	323,129
Less: current portion	79,742
	<hr/>
	<u>\$ 243,387</u>

Rent expense under this lease for the fiscal years ended 2023, 2022 and 2021 was approximately \$80,000, \$80,000, and \$0, respectively.

Legal

From time to time, the Company is party to legal actions arising out of the ordinary course of business. The Company does not believe that these legal actions will have a material adverse effect on the Company's financial position, results of operations and cash flows.

Management Fees – Chronic Tacos Canada LTD (CT Canada)

The Company incurred management fees to CT Canada of \$35,000, \$68,000 and \$34,000 during the years ended December 31, 2023, 2022 and 2021, respectively, which have been included in selling, general and administrative expenses in the statements of income (operations) operations. A balance of \$175,500 of receivable at December 31, 2023, and \$75,000 and \$188,000 was payable at December 31, 2022 and 2021, respectively, and has been included in long-term payable-related party in the accompanying balance sheets. The agreement term is indefinite and will be renegotiated as needed.

CHRONIC TACOS ENTERPRISES, INC.
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022 and 2021

8. Income Taxes

For the years ended December 31, 2023, 2022 and 2021, provision for income taxes consisted of the following:

	2023	2022	2021
Current provision	\$ 12,000	\$ -	\$ 1,150
Change in deferred taxes	100,000	92,412	37,276
Total provision for income taxes, net	<u>\$ 112,000</u>	<u>\$ 92,412</u>	<u>\$ 38,426</u>

The effective tax rate of 36% is different than the statutory federal rate of 21% as a result of non-deductible depreciation expense as well as the adjustment of prior year income tax payable through current year provision due to the Company's net operating loss.

The tax effects of temporary differences between financial statements and tax reporting give rise to deferred tax assets and deferred tax liabilities are presented below:

Deferred tax assets:	2023	2022	2021
Change in accruals	\$ 20,000	\$ -	\$ 58,475
Other	3,000	119,876	146,907
Total deferred tax assets	<u>23,000</u>	<u>119,876</u>	<u>205,382</u>
Deferred tax liabilities:			
Property and equipment	(2,000)	-	(30,370)
Other	(1,000)	-	-
Total deferred tax liabilities	<u>(3,000)</u>	<u>-</u>	<u>(30,370)</u>
Net deferred tax asset	<u>\$ 20,000</u>	<u>\$ 119,876</u>	<u>\$ 175,012</u>

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

9. Management Agreement

The Company has a management agreement with related parties to provide management services to certain franchisees. The management services include advisory services for operations, marketing and general management. These fees are classified as management fees on the statements of operations in other revenues and totaled \$2,000, \$5,600, and \$5,200 for the years ended December 31, 2023, 2022 and 2021, respectively.

10. Retirement Plan

The Company has an Internal Revenue Code ("IRC") Section 401(k) defined contribution plan ("the Plan") for its employees who meet all eligibility requirements of the Plan. Participants may make salary deferrals to their individual accounts up to the maximum allowable for Section 401(k) defined contribution plans. The Company matches 100% of the first 3% of participant contributions plus 50% of the next 2% of participant contributions. The Company did not make any matching contributions as of December 31, 2023, 2022 and 2021, respectively.

CHRONIC TACOS ENTERPRISES, INC.
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022 and 2021

11. PPP Loan Forgiveness

On May 4, 2020, the Company received loan proceeds of \$186,875 and \$186,875 in the years ended December 31, 2021 and 2020, respectively, from promissory notes issued by a bank, under the Paycheck Protection Program ("PPP") which was established under the CARES Act and is administered by the U.S. Small Business Administration. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. The Company has qualified for full forgiveness of both of the loans, and have recorded the forgiveness as such, in the years ended December 31, 2021 and 2020, respectively.

12. Subsequent Events

The Company has evaluated subsequent events through April 16, 2024, the date these financial statements were issued. The Company determined there were no events that required disclosure or recognition in these financial statements.

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT H
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677	California, Commissioner of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities, Department of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section 525 West Ottawa G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48933 (517) 335-7567	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909 (517) 241-6345
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	Minnesota Commissioner of Commerce Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171
NEW YORK	NYS Department of Law Investor Protection Bureau, Franchise Section 28 Liberty Street, 21 st Floor New York, New York 10005 (212) 416-8222 (Phone) (212) 416-6042 (Fax)	New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, New York 12231-0001 (518) 473-2492

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Securities Division State of Rhode Island Department of Business Regulation, Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582	Director, Securities Division Department of Business Regulation Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Director, Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, First Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, First Floor Richmond, Virginia 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, Washington 98504 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Franchise Registration Division of Securities Wisconsin Department of Financial Institutions 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I
LIST OF FRANCHISEES

LIST OF CURRENT FRANCHISEES AS OF
DECEMBER 31, 2023

U.S. STORES						
Store	State	Address	Phone Number	Owner	Email	Owner Phone Number
Orange Beach	AL	25775 Perdido Beach St. A Orange Beach, AL 36561	(251) 981-0040	Bill Luebbert, Michael Dravo, Richard Andrews, Greg Philpot	Richard.A.kolhospitality@gmail.com gphilpot64@gmail.com	850-450-6682
Balboa	CA	301 Main St. Newport Beach, CA 92661	(949) 220-7718	Dan Biello	dblo420@yahoo.com Chronictacosoc@gmail.com	949-290-0875
Bella Terra	CA	7621 Edinger Huntington Beach, CA 92647	(714) 890-6100	Caleb Walker	chronictacoshb@yahoo.com	949-929-9353
Corona	CA	160 E. Ontario Ave Suite 102 Corona, CA 92879	(951) 278-2643	Audra DeVera	chronictacoscorona@outlook.com	949-290-0875
Corona Del Mar	CA	3601 E. Coast Hwy Suite A Corona Del Mar, CA 92625	(949) 675-2574	Dan Biello	dblo420@yahoo.com	949-290-0875
Costa Mesa	CA	1460 Baker St. Suite C Costa Mesa, CA 92626	(714) 890-6100	Caleb Walker	chronictacoshb@yahoo.com	949-929-9353
Hesperia	CA	11510 Fashion Court, Hesperia, CA 92344	(760) 947-0435	Amir Dehbozorgi	a.dehbo@cdm-inc.net	909-938-0979
Huntington Beach	CA	328 11th St Huntington Beach, CA 92648	(714) 960-0339	Mike Mohammed, Dan Biello Bryan Holland	chronic.huntington@eatchronictacos.com	Mike: 949-545-8739 Dan: 949-290-0875
Irvine (Alton Square)	CA	5365 Alton Pkwy, Suite D Irvine, CA 92604	(949) 653-8226	Randy Combs, Tim Gorman	randy.combs.ct@gmail.com; gormantim@att.net	714-932-9673
Laguna Niguel	CA	28241 Crown Valley Pkwy Unit C Laguna Niguel, CA 92677	(949) 273-3184	Carlos Gonzales	crazybocho@yahoo.com; ct.lagunaniguel@gmail.com	949-257-6058

U.S. STORES						
Store	State	Address	Phone Number	Owner	Email	Owner Phone Number
Lakewood	CA	4212 Woodruff Ave. Lakewood, CA 90713	(562) 425-7040	Felipe Cruz	cruzfelipe87@yahoo.com	323-687-7171
Long Beach PCH (Marina Shores)	CA	6602 E. Pacific Coast Hwy Long Beach, CA 90803	(562) 430-8200	Michael Hebermehl	chronic.tacos@yahoo.com	714-333-6005
Menifee*	CA	27599 Newport Road Menifee, CA 92584	(714) 235-4237	CTE	Michael@eatchronictacos.com	949-680-4602
Monrovia	CA	141 S. Myrtle Ave, Monrovia, CA 91016	(626) 263-4843	R&M Eateries	Rashad@chronictacosmonrovia.com Johnnie@chronictacosmonrovia.com	626-676-6534
Newport Beach	CA	4533 W. Pacific Coast Hwy Newport Beach, CA 92660	(949) 642-2458	Dan Biello	dblo420@yahoo.com	949-290-0875
Palmdale	CA	39604 10th St. West St. B-1 Palmdale, CA 93551	(661) 267-9940	Chris Lee**	4chrislee@gmail.com	661-209-4360
Pasadena	CA	345 S. Lake Ave., Suite 101 Pasadena, CA 91101	(626) 298-6432	R&M Eateries	Rashad@chronictacosmonrovia.com Johnnie@chronictacosmonrovia.com	626-676-6534
Rialto	CA	1103 W Casmalia St, Rialto, CA 92337	(909) 938-0979	Amir Dehborzorgi Sirwin Enterprises	a.dehbo@cdm-inc.net	909-938-0979
Saugus	CA	27665 Bouquet Canyon Rd. Saugus, CA 91350	(661) 296-6900	Maria Santos	zzchronictacos@gmail.com	661-209-4360
UC Riverside*	CA	900 University Ave. Riverside, CA 92521	(951) 827-5728	CTE	Michael@eatchronictacos.com	949-680-4602
Valencia	CA	28301 Newhall Ranch Rd., Ste 3-G Valencia, CA 91355	(661) 360-1800	Chris Lee**	4chrislee@gmail.com	661-209-4360
Tampa	FL	10420 North Dale Mabry Highway, Tampa, FL 33618	(813) 374-6800	Joseph Mouannes	mouannes@gmail.com	858-829-6230
Vero Beach	FL	5935 20 th Street, Vero Beach, FL 32966	(814) 881-5082	Colin Johnson	Chronictacos70@gmail.com	814-881-5082

U.S. STORES						
Store	State	Address	Phone Number	Owner	Email	Owner Phone Number
Alpharetta	GA	970 North Point Drive, Suite 160, Alpharetta, GA 30022	(562) 335-6569	James Smith	ctsouthernllc@gmail.com	562-335-6869
Honolulu	HI	888 Kapahulu Ave., Suite D-1, Honolulu, HI 96816	(808) 376-2095	Tim McDowell**	cookingwithtim@yahoo.com chronictacoshawaii@yahoo.com	714-679-6899
Salem	OR	268 Liberty St. NE Salem, Oregon 97301	(971) 345-8226	Angel Scott Kris Scott	Angel@ct-salem.com	503-583-5019
Lakewood	WA	5720 Lakewood Town Center Blvd SW Lakewood, WA 98499	(253) 588-8226	Sara Bartels, Keith Hayward	sarabartels13@gmail.com khayward253@gmail.com	415-845-1012
CANADA						
Canada –Waterfront		16-601 Cordova St. W, Vancouver, BC V6B-1G1	(604) 428-2221	Dan & Joey Mohammed	dan@eatchronictacos.com joeymohammed@gmail.com	604-671-1125
Canada Metrotown		324-4820 Kingsway Burnaby, BC V5H-4P1	(604) 620-3383	Dan, Joey & Dave Mohammed	dan@eatchronictacos.com dave@eatchronictacos.com joeymohammed@gmail.com	604-671-1125
JAPAN						
Osaka		Chrome 1-2 Nanba Osaka 542-0076	03-6263-9639	K & Brothers Co., Ltd.	Iwatani@k-brothers.jp	06-6341-2202
Sannomiya		Suncity2F 6-1-15 Kumoidori Chuo- ku, Kobe-shi, Hyogo, Japan	03-6263-9639	K & Brothers Co., Ltd.	Iwatani@k-brothers.jp	06-6341-2202

*Affiliate-owned locations

** Area Developers

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

LIST OF OUTLETS TRANSFERRED FROM FRANCHISEES TO NEW OWNERS
DECEMBER 31, 2023

Store	State	Address	Phone Number	Owner	Email	Owner Phone Number
None	None	None	None	None	None	None

**Area Developers

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

FRANCHISEES WHO HAD AN OUTLET TERMINATED, CANCELLED, NOT RENEWED, REACQUIRED BY FRANCHISOR OR OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED TO DO BUSINESS AS OF DECEMBER 31, 2023

U.S. STORES						
Store	State	Address	Entity	Owner	Email	Owner Phone Number
Phoenix - Peoria Ave.	AZ	3121 W. Peoria Ave. #104 Phoenix, AZ 85029	N/A	Garrett Sharpe	Sharpefoodsllc@gmail.com	805-827-3671
Long Beach (Belmont Shore)	CA	3870 E. Ocean Blvd. Long Beach, CA 90803	N/A	Audra DeVera	chronictacoscorona@outlook.com	760-685-2249
Menifee	CA	27599 Newport Road Menifee, CA 92584	MCT Enterprises	Jude & Gene Hsieh MCT Enterprises, LLC	Genemhsieh@yahoo.com	717-418-7709
Redlands	CA	400 W. Stuart Ave. #120 Redlands, CA 92374	N/A	Mohammad Honarkar, Shahriar Nakhaee	mhonarkar@4g-ventures.com bdc3000@yahoo.com	Mo: 949- 584-0500
Orlando	FL	7541 D. San Lake Road Orlando, FL 32819	N/A	Patrick Becherer	Becherer.patrick@gmail.com	636-295-6769
Las Vegas - The Palms	NV	4321 W. Flamingo Rd., Las Vegas, NV 89103	N/A	Jennifer Lewis	iamjenlewis3@gmail.com	702-217-3223
Montgomery	TX	20212 Eva Street, Suite 200 Montgomery, TX 77356	N/A	Pam Arquitt, Thad Arquitt	parquitt@icloud.com	720-980-9459
JAPAN						
Tokyo		2-7-2 Yoyogi Shibuya Tokyo, 151-0053	K & Brothers Co., L	K & Brothers Co., Ltd.	Iwatani@k-brothers.jp	06-6341-2202

**Area Developers

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

FRANCHISEES WHO HAVE SIGNED FRANCHISE AGREEMENTS BUT ARE NOT OPEN AS OF
DECEMBER 31, 2023

Store	State	Address	Phone Number	Owner	Email	Entity	Franchise Agreement Signed
Redondo	CA	TBD	None	Cynthia Lidy	Cynbad8@gmail.com	TBD	2022
Westchester	CA	TBD	None	Cynthia Lidy	Cynbad8@gmail.com	TBD	2023

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT J
NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

THIS NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT (this "Agreement") is made on _____, 20__ (the "Effective Date"), by and between _____ ("Franchisee"), on the one hand, and _____ ("Recipient"), on the other hand, who are individually referred to in this Agreement as a "Party," and collectively referred to in this Agreement as "Parties," with reference to the following facts:

A. Franchisor and Franchisor's affiliate, CTE Restaurants, LLC, a California limited liability company ("CTE Restaurants"), have developed the "Chronic Tacos System" for the establishment and operation of Chronic Tacos fast-casual restaurants ("Taco Restaurants") that offer a menu featuring authentic Mexican food and other food and beverage products for to order for dine in, take-out, delivery, and catering events under the trade name and service mark "Chronic Tacos" and other related trademarks, service marks, logos and commercial symbols (the "Chronic Tacos Marks").

B. The "Chronic Tacos System" includes, without limitation, the operations and training manuals and any other written directives related to the Chronic Tacos System (the "Manuals"), the system developed by Franchisor and CTE Restaurants that includes operating methods and business practices related to Taco Restaurants, the relationship between Franchisor and its franchisees, interior and exterior Taco Restaurant design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product offerings, recipes and unique cooking and preparation techniques and methods, specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs, and Franchisor's website, all as Franchisor may modify the same from time to time, and may be disclosed to Recipient by Franchisee.

C. Franchisor has protected and continues to protect the confidentiality of the "Confidential Information" by, among other things: (i) not revealing the confidential contents of the Confidential Information to unauthorized parties; (ii) requiring Franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring Franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration and termination of their Franchise Agreements.

D. Franchisor and Franchisee have entered into a Franchise Agreement under which Franchisor has granted Franchisee the right to own and operate a Taco Restaurant and to use the Chronic Tacos System, the Chronic Tacos Marks, the Manuals, and the Confidential Information in the operation of the Taco Restaurant.

E. Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from all supervisory and managerial personnel employed by Franchisee and each independent contractor engaged by Franchisee who may have access to the Confidential Information and who may be the recipient of the disclosure of the Confidential Information to maintain the confidentiality of the Confidential Information, to obtain the written agreement from all supervisory and managerial personnel employed by Franchisee and each independent contractor to not use the Confidential Information other than in the course of his or her employment or engagement by Franchisee and to not disclose any of the Confidential Information to any unauthorized parties during the period of time that he or she is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends.

NOW, THEREFORE, IT IS AGREED:

1. ACKNOWLEDGMENTS OF RECIPIENT.

1.1 No Prior Experience, Information or Knowledge. Prior to his or her employment or engagement by Franchisee, Recipient had no experience, information or knowledge about operating a Taco Restaurant that offers and sells Mexican food as its primary menu item. Recipient's knowledge of the Confidential Information was obtained only from Franchisee following the Effective Date and only in the course of Recipient's employment or engagement by Franchisee.

1.2 Confidential Information. The Confidential Information includes all of the items included elsewhere in this Agreement and, in addition, without limitation, all tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, styles, products and services, recipes, cooking and preparation techniques and methods, sources of materials and equipment, customer management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, the Chronic Tacos System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Recipient. Confidential Information does not include any information that was in the lawful and unrestricted possession of Recipient prior to its disclosure by Franchisee to Recipient; is or becomes generally available to the public by acts other than those of Recipient after receiving it; has been received lawfully and in good faith by Recipient from a third party who did not derive it from Franchisor, Franchisee or Recipient; or is shown by acceptable evidence to have been independently developed by Recipient.

1.3 Independent Value. The Confidential Information: (i) is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Franchisee; (ii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee; and (iii) is the subject of extensive efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information.

1.4 Valuable and Proprietary. The Confidential Information has been developed by Franchisor, its founder and their affiliates by the investment of time, skill, effort and money and is widely recognized by the public, of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor, its founder and their affiliates.

2. COVENANTS OF RECIPIENT.

Recipient agrees that so long as Recipient is employed or engaged by Franchisee and forever after his or her employment or engagement by Franchisee ends:

2.1 Maintain Confidentiality. Recipient will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than Franchisee or other personnel employed by Franchisee or independent contractors engaged by Franchisee while a supervisory or managerial employee or independent contractor of Franchisee and will then do so only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee.

2.2 No Reproduction or Use. Recipient will not directly or indirectly reproduce or copy any Confidential Information and will make no use of any Confidential Information for any purpose whatsoever except as may be required while Recipient is employed or engaged by Franchisee and will then do so only in accordance with the provisions of this Agreement and only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee.

2.3 Restrictions. Recipient specifically acknowledges and agrees Recipient may receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Chronic Tacos System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy. Recipient therefore covenants that while employed or engaged by Franchisee, Recipient shall not, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any person, or legal entity: (i) divert or attempt to divert any present or prospective Taco Restaurant customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Chronic Tacos Marks and the Chronic Tacos System; or (ii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any restaurant or business that offers Mexican food as its primary menu item, or any restaurant or business that looks like, copies, imitates, operates with similar trade dress or décor, or is otherwise substantially the same as or similar to Taco Restaurants.

2.4 Third Party Beneficiary. Franchisor is, and shall be and remain, a third party beneficiary of this Agreement and will have the independent right to enforce the terms of this Agreement.

2.5 No Restriction. Nothing in this Article 2 is intended to prohibit or restrict any activity which prohibition or restriction violates Recipient's rights to engage in protected concerted activity under the National Labor Relations Act.

3. GENERAL TERMS.

3.1 Injunction. Recipient recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the Chronic Tacos System and agrees that Recipient's noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information by Recipient will cause irreparable damage to Franchisor and its franchisees. Recipient therefore agrees that if Recipient should engage in any unauthorized or improper use or disclosure of the Confidential Information, Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Confidential Information in addition to any other remedies prescribed by law. Due to the irreparable damage that would result to Franchisor and Franchisee from any violation of this Agreement, Recipient acknowledges and agrees that any claim Recipient believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Recipient's obligations under this Agreement and will not entitle Recipient to violate or justify any violation of the provisions of this Agreement.

3.2 Heirs and Successors; Entire Agreement. This Agreement shall be binding upon and inure to the benefit of the Parties, their heirs, successors and assigns. This Agreement represents the entire understanding between the Parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Recipient that expressly modifies this Agreement. The Parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the Parties.

3.3 No Right to Use Chronic Tacos Marks or Chronic Tacos System. This Agreement is not a license of any sort, and does not grant Recipient any right to use or to license the use of, the Chronic Tacos System, the Chronic Tacos Marks or the Confidential Information, which right is expressly reserved by Franchisor.

3.4 Waiver and Validity. Failure by Franchisor to enforce any rights under this 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. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.5 Headings and Gender. The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement. As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.6 Attorneys' Fees. If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Recipient, Recipient shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If any Party to this Agreement commences any legal proceeding against another Party arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs of suit.

3.7 Cumulative Remedies. Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.8 Notices. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the Parties under this Agreement shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by fax or email (with a confirmation copy sent by regular United States mail), or three (3) days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

Any notice or demand to Franchisee shall be given to:

With a copy to:

Chronic Tacos Enterprises, Inc.
95 Enterprise, Suite 320
Aliso Viejo, California 92656
Attention: President

Any notice or demand to Recipient shall be given to:

Any Party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other Party.

3.9 Counterparts and Electronic Transmission; Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

(Signature page follows)

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

FRANCHISEE:

RECIPIENT:

A _____

By: _____

Name: _____

Title: _____

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EFFECTIVE DATES

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

<u>State</u>	<u>Effective Date</u>
California:	Pending
Hawaii:	Pending
New York:	Pending
Washington:	Pending

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

CHRONIC TACOS ENTERPRISES, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT K
RECEIPTS

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Chronic Tacos Enterprises, Inc. offers you a franchise, Chronic Tacos Enterprises, Inc. must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

New York requires you to receive this 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 Chronic Tacos Enterprises, Inc. 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 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 H.

The franchisor is Chronic Tacos Enterprises, Inc., located at 95 Enterprise, Suite 320, Aliso Viejo, California 92656, Telephone (949) 366-9936.

Issuance Date: April 18, 2024.

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Dan Mohammed, 201-1205 56th Street, Delta, B.C., V4L 2A6; Randy Wyner, Mike Mohammed and David Mohammed, 95 Enterprise, Suite 320, Aliso Viejo, California 92656, (949) 366-9936; and _____.

We authorize the persons and/or entities listed on Exhibit H to receive service of process for us.

I have received a Disclosure Document dated April 18, 2024. This Disclosure Document includes the following Exhibits:

Exhibit A	Franchise Agreement	Exhibit G	Financial Statements
Exhibit B	Area Development Agreement	Exhibit H	State Administrators and Agents for Service of Process
Exhibit C	Confidentiality Agreement for Prospective Franchisees	Exhibit I	List of Franchisees
Exhibit D	Option to Obtain Lease Assignment	Exhibit J	Non-Disclosure and Confidentiality Agreement for Employees of Franchisee
Exhibit E	General Release	EFFECTIVE DATES	
Exhibit F	State Specific Addenda	Exhibit K	Receipts

Date

Franchisee

Please sign this copy of the Receipt, date your signature, and return it to: Mike Mohammed, 95 Enterprise, Suite 320, Aliso Viejo, California 92656, Telephone (949) 366-9936.

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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Exhibit F	State Specific Addenda	Exhibit K	Receipts

Date

Franchisee

Keep this copy for your records. This Disclosure Document may be available in several formats including on paper, on a CD, in pdf format or on our website: www.eatchronictacos.com.