

## FRANCHISE DISCLOSURE DOCUMENT

**CTG Franchise LLC**  
**an Illinois a limited liability company**  
**80 West Lake Street**  
**Northlake, Illinois 60164**  
**Telephone: 708-223-0422**  
**Email: [contact@cilantroacogrill.com](mailto:contact@cilantroacogrill.com)**  
**[www.cilantroacogrill.com](http://www.cilantroacogrill.com)**



You will operate a fast casual restaurant offering authentic Mexican food, such as tacos, burritos, salads, and tortas. With our approval, if permitted by applicable law, the Cilantro Taco Grill franchised business may also offer beer and wine.

The total investment necessary to begin the operation of a Cilantro Taco Grill franchised business is \$273,000 to \$726,000. This includes \$35,000 to \$59,500 that must be paid to the franchisor or its affiliate(s).

If you enter into a Multi-Unit Operator Agreement to develop multiple franchised businesses, you will pay a development fee when you sign the Multi-Unit Operator Agreement. You must commit to open a minimum of 5 franchised businesses. If you commit to develop between five and nine franchised businesses, you will pay a development fee of 100% of the initial franchise fee for three franchised businesses, plus a deposit of 50% of the initial franchise fee for each additional franchised business. If you commit to develop 10 or more franchised businesses, you will pay a development fee of 100% of the initial franchise fee for 5 franchised businesses, plus a deposit of 50% of the initial franchise fee for each additional franchised business. The total initial investment for a Cilantro Taco Grill Multi-Unit Agreement, including the costs to build and equip the 1<sup>st</sup> franchised business, is \$378,000 to \$831,000 for a required minimum of 5 Cilantro Taco Grill franchised businesses to be developed. This includes a development fee of \$140,000 that must be paid to the franchisor or an affiliate. The total investment under a Multi-Unit Operator Agreement will vary depending on the number of franchised businesses to be developed.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Cuahutémoc Morfin at 80 West Lake Street, Northlake, Illinois 60164 and 708-223-0422.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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](http://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: June 30, 2023

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	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 F.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Cilantro Taco Grill business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be Cilantro Taco Grill franchisee?</b>	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation, arbitration and litigation only in Illinois. Out-of-state mediation, arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate and litigate with us in Illinois than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history<sup>MD</sup>.

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.

## MICHIGAN NOTICE

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assents to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise before the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to sell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide 3<sup>rd</sup> party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision that permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to franchisee unless provision has been made for providing the required contractual services.

**The fact that there is a notice of this offer on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.**

Any questions regarding this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, 670 Law Building, Lansing, MI 48913, telephone: (517) 373-7117.

**CTG FRANCHISE LLC**  
**Franchise Disclosure Document**

**Table of Contents**

<b>ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....</b>	<b>8</b>
<b>ITEM 2: BUSINESS EXPERIENCE .....</b>	<b>10</b>
<b>ITEM 3: LITIGATION .....</b>	<b>11</b>
<b>ITEM 4: BANKRUPTCY .....</b>	<b>11</b>
<b>ITEM 5: INITIAL FEES .....</b>	<b>11</b>
<b>ITEM 6: OTHER FEES .....</b>	<b>13</b>
<b>ITEM 7: ESTIMATED INITIAL INVESTMENT .....</b>	<b>20</b>
<b>ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....</b>	<b>25</b>
<b>ITEM 9: FRANCHISEE’S OBLIGATIONS .....</b>	<b>27</b>
<b>ITEM 10: FINANCING .....</b>	<b>29</b>
<b>ITEM 11: FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.....</b>	<b>29</b>
<b>ITEM 12: TERRITORY .....</b>	<b>38</b>
<b>ITEM 13: TRADEMARKS .....</b>	<b>40</b>
<b>ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....</b>	<b>41</b>
<b>ITEM 15: OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....</b>	<b>42</b>
<b>ITEM 16: RESTRICTIONS ON WHAT FRANCHISEE MAY SELL.....</b>	<b>43</b>
<b>ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....</b>	<b>44</b>
<b>ITEM 18: PUBLIC FIGURES .....</b>	<b>55</b>
<b>ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS .....</b>	<b>56</b>
<b>ITEM 20: OUTLETS AND FRANCHISEE INFORMATION .....</b>	<b>57</b>
<b>ITEM 21: FINANCIAL STATEMENTS .....</b>	<b>59</b>
<b>ITEM 22: CONTRACTS .....</b>	<b>59</b>
<b>ITEM 23: RECEIPT .....</b>	<b>60</b>
<b>EXHIBIT A AGENCIES/AGENTS FOR SERVICE OF PROCESS.....</b>	<b>61</b>
<b>EXHIBIT B FRANCHISE AGREEMENT .....</b>	<b>63</b>
<b>EXHIBIT C MULTI-UNIT OPERATOR AGREEMENT .....</b>	<b>64</b>
<b>EXHIBIT D FINANCIAL STATEMENTS .....</b>	<b>65</b>
<b>EXHIBIT E CILANTRO TACO GRILL CONFIDENTIAL OPERATIONS MANUAL .....</b>	<b>66</b>
<b>EXHIBIT F FRANCHISED OUTLETS AS OF DECEMBER 31, 2022 .....</b>	<b>67</b>
<b>EXHIBIT G STATE ADDENDA .....</b>	<b>68</b>
<b>EXHIBIT H FRANCHISEE ACKNOWLEDGEMENTS .....</b>	<b>89</b>
<b>EXHIBIT I RECEIPT .....</b>	<b>100</b>

**ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this disclosure document, the terms “Franchisor”, or “we” or “us” means CTG Franchise LLC, the Franchisor. The terms “we”, “us” and “Franchisor” do not include you, the “Franchisee”. We refer to the purchaser(s) of a Cilantro Taco Grill franchise, as “you” or “Franchisee”, whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, our Franchise Agreement also will apply to your owners, officers and directors.

We were formed as a limited liability company in the State of Illinois on December 21, 2022. Our principal business address is 80 West Lake Street, Northlake, Illinois 60164, and our telephone number is 708-223-0422. We do business under our company name, “Cilantro Taco Grill” and its associated design (the “Marks”). We do not own or operate any businesses of the type you will be operating. We have not offered franchises in any other line of business. We only offer franchises which operate under the “Cilantro Taco Grill” Marks. We began offering franchises in June 2023.

The principal business addresses of our agents for service of process are shown on Exhibit A.

**Our Parents, Predecessors and Affiliates:**

We have no parent company or predecessor.

We have an affiliated company, CTG IP LLC, an Illinois limited liability company headquartered at our address. CTG IP LLC was formed on December 21, 2022 and is the owner of certain of our Marks and has exclusively licensed use of the Marks to us. CTG IP LLC has not offered franchises in this or in any other line of business previously.

We have operated, through affiliates, Cilantro Taco Grill outlets similar to the franchise offered by this Disclosure Document since 2013. We may operate other Cilantro Taco Grill concepts, including additional Cilantro Taco Grill outlets, or other meal provision concepts in the future.

**The Franchise Offered:**

We grant franchises for the right to operate a fast casual restaurant business offering authentic Mexican food, such as tacos, burritos, salads, and tortas. You will provide products to customers under the “Cilantro Taco Grill” Marks, using our distinctive operating procedures and standards in a limited protected territory and from a single location (the “Franchised Business”). The distinguishing characteristics of a Cilantro Taco Grill Franchised Business include, but are not limited to, the Cilantro Taco Grill distinctive trade dress, proprietary recipes, operations methods, inventory, procedures for management, training, advertising, and promotional programs, all of which may be changed, improved or further developed by us at any time (the “System”).

Each Franchised Business will offer dine-in and take-out services. After your Franchised Business has been in operation for at least 3 months, you may offer catering and delivery services from the Franchised Business with our prior written approval. The Franchised Businesses are generally located



in high traffic locations, including strip mall complexes, shopping malls, lifestyle centers and free-standing locations.

We offer qualified individuals the right to open a minimum of 5 Cilantro Taco Grill outlets in a designated area under the terms of a multi-unit operator agreement. You must sign the then-current form of franchise agreement for each Franchised Business to be developed under the multi-unit operator agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

**Market and Competition:**

The market for your Cilantro Taco Grill Franchised Business consists of the general public who seek prepared meals and related items. You will compete in the fast-casual food business with various established independent local restaurants and regional or national chain outlets offering similar menu items, both take-out service and full service, as well as with other restaurants and take-out facilities selling all kinds of food or other specialty foods, including well-established national chain outlets and local businesses. Competition in the restaurant business in general and the fast casual food industry in particular is well-established and intense. Sales are year-round.

**Industry Specific Regulations:**

At all times during the operation of your Franchised Business, you must have a ServSafe® Food Handler certification. The jurisdiction where your Cilantro Taco Grill Franchised Business is located may require additional food safety certifications. You, your management and the staff we designate (including cashiers) must be TIPS certified, if you are offering wine and beer. You must comply with all laws and regulations for proper food storage, preparation, and service.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and foodservice establishment sanitary conditions. State and local agencies inspect foodservice establishments to ensure that they comply with these laws and regulations. Some state and local authorities have adopted, or are considering adopting, laws or regulations that could affect: the content or make-up of food served at your Cilantro Taco Grill outlet, such as the level of trans fat contained in a food item; general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as “low calorie” or “fat free”; and the posting of calorie and other nutritional information on menus.

With our approval, if permitted by applicable law, the Franchised Business may also offer beer and wine. You must comply with any federal, state, county, municipal, or other local laws and regulations relating to alcohol that may apply to your Franchised Business. You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Franchised Business. You must obtain any applicable real estate permits (such as zoning), real estate licenses, beer and wine licenses and operational licenses. You must secure and maintain the mandatory licenses and permits. There is a wide variation in state and local laws and regulations that govern the sale of alcoholic beverages. The difficulty and cost of obtaining a beer and wine license and the procedures for securing the license vary greatly from area to area. State operated Alcohol Beverage

Control Agencies are one resource that can assist you with the different beer and wine licenses available in the state in which your Franchised Business is located. In addition, state “dram shop” laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol.

You must comply with all local, state and federal laws and regulations that apply to the operation of your Franchised Business, including, among others, business operations, insurance, discrimination, employment, health, sanitation and workplace safety laws. Your advertising of the Franchised Business is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchised Business in addition to those listed here.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You are responsible for obtaining all licenses and permits which may be required for your business.

**ITEM 2: BUSINESS EXPERIENCE**

Cuahutémoc Morfin - Owner

<i>Employer</i>	<i>Start Date - End Date</i>	<i>Titles</i>	<i>City, State</i>
CTG Franchise LLC	December 2022 – present	Owner	Stone Park, Illinois
Cilantro Taco Grill Stone Park, LLC	June 2013 – present	Owner	Stone Park, Illinois

Chief Technology Officer – Hernan Valencia Morfin

<i>Employer</i>	<i>Start Date - End Date</i>	<i>Titles</i>	<i>City, State</i>
CTG Franchise LLC	December 2022 – present	Chief Technology Officer	Stone Park, Illinois
iNBest	February 2021 – September 2022	Business Manager	Guadalajara, Mexico
iNBest	October 2019 – February 2021	IT Support Technician	Guadalajara, Mexico
tecXcon GmbH	February 2018 – September 2019	Co-Founder	Guadalajara, Mexico

Gerardo Morfin – Chief Operations Officer

<i>Employer</i>	<i>Start Date - End Date</i>	<i>Titles</i>	<i>City, State</i>
CTG Franchise LLC	December 2022 – present	Chief Operating Officer	Stone Park, Illinois
Cilantro Taco Grill Glen Ellyn, LLC	August 2015 – present	Chief Operating Officer	Stone Park, Illinois
Morfin Construction	March 2008 – August 2015	Unior Laborer	Elmhurst, Illinois

Aaron DeAngelo Morfin – Chief Marketing Officer

<i>Employer</i>	<i>Start Date - End Date</i>	<i>Titles</i>	<i>City, State</i>
CTG Franchise LLC	December 2022 – present	Chief Marketing Officer	Northlake, Illinois
Cilantro Taco Grill Romeoville, LLC	June 2022 – present	Department Manager - Advertising	Northlake, Illinois
Cilantro Taco Grill – Yorktown Mall	December 2021 – present	Manager	Lombard, Illinois
Cilantro Taco Grill – Rosemont	May 2019 – September 2019	Cashier	Rosemont, Illinois

**ITEM 3: LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4: BANKRUPTCY**

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

**ITEM 5: INITIAL FEES**

We will charge you an initial franchise fee (“Initial Franchise Fee”) when you sign the Franchise Agreement. The Initial Franchise Fee is \$35,000. This payment is fully earned by us and due in lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable under any circumstance.

If we perform an on-site location evaluation of the prospective site for the Franchised Business, you must pay to us our per diem fee of \$500 and reimburse our representative’s expenses, including travel, lodging and meals.

You must spend \$15,000 on a grand opening advertising campaign to promote the opening of the Franchised Business. We reserve the right to collect this money from you and conduct the grand opening advertising campaign on your behalf. If we collect this money from you for the grand opening advertising campaign, it is non-refundable.

If your Franchised Business does not open within 12 months after you have signed the Franchise Agreement, except for circumstances that are not in your control, you must pay to us a delayed opening fee of \$100 per day for each day that the opening of your Franchised Business is delayed, up to a maximum of 90 additional days. If your Store is not open after this additional 90 day period, then we may terminate your Franchise Agreement or we may require you to continue paying the delayed opening fee until your Store has opened. This fee is not refundable. If you are a Multi-Unit Operator and your Franchised Business does not open by the opening date provided in the Multi-Unit Operator Agreement, then you will pay the same delayed opening fee as above

We will charge you a development fee (“Development Fee”) when you sign the Multi-Unit Operator Agreement. You must develop a minimum of 5 outlets to enter into a Multi-Unit Operator Agreement. The Development Fee is based on the total number of Franchised Businesses that you commit to develop under the Multi-Unit Operator Agreement and is calculated as follows: \$35,000 for the right to develop each of the first 3 outlets plus \$17,500 for the right to develop the 4<sup>th</sup> and each additional outlet within your Development Area if you commit to develop between 5 and 9 outlets; or \$35,000 for the right to develop each of the first 5 outlets plus \$17,500 for the right to develop the 6<sup>th</sup> and each additional outlet within your Development Area if you commit to develop 10 or more units.

The Development Fee is fully earned by us and due in lump sum when you sign the Multi-Unit Operator Agreement. The Development Fee is not refundable under any circumstance. The Development Fee is calculated and applied toward the Initial Franchise Fee as follows:

<b>Number of Franchised Businesses to be Developed</b>	<b>Development Fee Paid Upon Signing the Multi-Unit Operator Agreement:</b>	<b>*Additional \$17,500 to be Paid in Connection with:</b>
5 – 9	\$105,000 for the first 3 Franchised Businesses, plus \$17,500 for each additional Franchised Business	4 <sup>th</sup> and each additional Franchised Business
10 or more	\$175,000 for the first 5 Franchised Businesses, plus \$17,500 for each additional Franchised Business	6 <sup>th</sup> and each additional Franchised Business

\*The remaining portion of the Initial Franchise Fee is due 90 days before the scheduled opening of the unit or the date you sign the lease for the premises, whichever occurs first.

For example, if you commit to develop 5 franchises, the Development Fee is calculated as  $(\$35,000 \times 3 = \$105,000) + (\$17,500 \times 2 = \$35,000) = \$140,000$ . If you commit to develop 10 franchises, the Development Fee is calculated as  $(\$35,000 \times 5 = \$175,000) + (\$17,500 \times 5 = \$87,500) = \$262,500$ .

From time to time, we may offer special incentive programs as part of our franchise development activities. We reserve the right to offer, modify or withdraw any incentive program without notice to you.

**ITEM 6: OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	6% of weekly Gross Revenue	Weekly on Monday	Payable to us. See footnote 1.
Required Minimum Expenditure for Local Marketing and Advertising	1% of Gross Revenue	Monthly	Payable to third parties. All advertising must be pre-approved by us. See footnote 2.
Worldwide Creative Marketing Fee	Up to 2% of Gross Revenue. There is no current Worldwide Creative Marketing Fund contribution requirement.	Weekly on Monday	Payable to us. See footnote 3.
Advertising Cooperative	As determined by the members, but not more than 0.5% of Gross Revenue	As determined by cooperative	No cooperatives have been established as of the date of this Disclosure Document. You are required to join an advertising cooperative if one is formed. Cooperatives will be comprised of all franchised Cilantro Taco Grill outlets in a designated geographic area. Any affiliate-owned outlets may participate in an advertising cooperative, in our sole discretion. Each Cilantro Taco Grill outlet has one vote on all cooperative matters, but no single Cilantro Taco Grill outlets or group of commonly controlled Cilantro Taco Grill outlets (whether franchised or affiliate-owned) will have more than 25% of the total vote.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Internal Systems Fee	Currently \$0, subject to increase up to \$200 upon 30 days' notice to you.	As incurred	We reserve the right to impose a fee for new or improved technology for the benefit of the System and the Franchised Business, including but not limited to, applications, assigned phone numbers and email addresses, a franchise portal, benchmarking platform or other operations or communications systems.
Late Charge	\$100	As incurred	If you fail to pay us the Royalty Fee, Worldwide Creative Marketing Fee or Internal Systems Fee, or if you fail to submit your Gross Revenue report when due, we may charge you \$100 for each late submission in addition to interest charges explained below.
Interest Charge	18% per annum from due date, or maximum allowed by law, but not less than \$100 per occurrence	As incurred	If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received.
Non-Sufficient Funds Fee	\$250	As incurred	If your check is returned or an electronic funds transfer from your bank account is denied for insufficient funds, for each occurrence we may charge you a Non-Sufficient Funds Fee.
Successor Agreement Fee	\$5,000	Before signing successor franchise agreement	Payable to us
Transfer Fee – Franchise Agreement	\$15,000	Before we approve the transfer	Payable to us

Type of Fee	Amount	Due Date	Remarks
Transfer Fee – Multi-Unit Operator Agreement	50% of our then-current initial franchise fee	Before we approve the transfer	Payable to us
Initial Training	No charge for initial training of up to three attendees. You pay all travel and other related expenses incurred by all trainees. The current fee to train additional personnel is \$3,500 per person, plus each trainee’s expenses.	Travel and related expenses are due as incurred. Fees for training your key personnel are due prior to the commencement of training.	HQ Initial training takes place in Chicago, Illinois.
Additional Training	Our then-current per diem rate per trainer, plus expenses.  The current per diem rate is \$1,000 per trainer, plus each trainer’s expenses	As incurred	See footnote 4.
On-Site Remedial Training Fee	Our then-current per diem rate per trainer, plus travel and other expenses. Our current per diem rate is \$500 per day.	As incurred	We may impose this fee, payable to us, if you request additional training at your premises from time-to-time, or if you are operating below our standards and we require you to have additional training. You must also pay all costs of our trainer, which include but are not limited to, airfare, transportation, hotel and meals.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Interim Management Support Fee	Up to 8% of Gross Revenues, plus expenses.	As incurred	We may impose this fee (in addition to all regularly occurring fees such as the Royalty Fee and Worldwide Creative Marketing Fee), payable to us, if we provide on-site management of your Franchised Business. See footnote 5.
Examination of Books and Records	Cost of examination plus related expenses	As incurred	We have the right under the Franchise Agreement to examine your books, records and tax returns. If an examination reveals that you have understated any Gross Revenue report by 2% or more, you must pay to us the cost of the audit and all travel and related expenses, in addition to repaying monies owed and interest on the monies owed.
Evaluation Fee for Unapproved Item or Supplier	Actual cost of inspection and/or testing	As incurred	Payable to us
Customer Satisfaction Evaluations (“Mystery Shops”)	Up to \$100 per month	As incurred	Payable to our approved supplier. You are required to participate in the mystery shopper program.
ServSafe / TIPS (or Similar) Industry Certifications	\$150 per person or the then-current market rate	As incurred	Payable to an approved supplier. You, your General Managers, Managers and other employees we designate must maintain ServSafe and TIPS certifications.
On-line Ordering	\$100	Monthly	Payable to an approved supplier. If we establish an online ordering program, you must participate.



<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Music Program	Approximately \$50, subject to increase	Monthly	Payable to third-party suppliers.
Accounting Services	Actual costs	As incurred	We reserve the right to require you to use an external accounting service if (i) you do not keep your books and records in accordance with our requirements or (ii) we determine that use of an external service by all franchisees is beneficial to the System.
Relocation Fee	\$1,500 plus actual costs and expenses	As incurred	This fee is due if we approve your request to relocate your Cilantro Taco Grill outlet.
Liquidated Damages	Up to 36 months of Royalty Fees and Worldwide Creative Marketing Fees	Upon termination of the Franchise Agreement due to your default.	If your Franchise Agreement is terminated due to your default, you must pay us the average monthly Royalty Fee and Worldwide Creative Marketing Fee Contributions payable by you for the 12 months prior to your default multiplied by the lesser of 36 months or the number of months remaining in the term of your Franchise Agreement.
Indemnification	Amount of loss or damages plus costs	As incurred	See footnote 6.
Reimbursement of Cost and Expenses for Non-compliance	Actual costs and expenses	As incurred	See footnote 7.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Reimbursement of legal fees and expenses	Our costs and expenses, including but not limited to attorneys' fees, incurred for your failure to pay amounts when due or failure to comply in any way with the Franchise Agreement.	As Incurred	Payable to us
Confidential Operation Manual Replacement Fee	Currently \$100, subject to change	As incurred	Payable to us.
Insurance Reimbursement	Amount paid by us for your insurance obligations, plus a 10% administrative fee and our legal fees, if any.	As incurred	You must reimburse us for any insurance costs and other fees we incur due to your failure to meet the insurance obligations required by the Franchise Agreement.
Taxes	Amount of taxes	When incurred	You must reimburse us for any taxes that we must pay to any taxing authority on account of either the operation of your Franchised Business or payments that you make to us, including, but not limited to any sales taxes or income taxes imposed by any authority.
Violation of Non-Competition Covenant	\$500 per week	On demand, if incurred	Payable to us if you violate the covenant not to compete in your agreement with us
On-Site Location Evaluation	\$500 per diem, plus our representative's expenses	If incurred	At your request we will perform an on-site evaluation of your location, for which you will pay a per diem fee of \$500, plus our representative's travel, lodging, meals and other expenses.

Type of Fee	Amount	Due Date	Remarks
Prohibited Product or Service Fine	\$250 per day of use of unauthorized products or services	If incurred	In addition to other remedies available to us
Promotional Programs developed by Franchisor	Not to exceed \$600/day, including labor, marketing materials, furniture, equipment and/or food	If incurred	Payable to Us.

All fees and expenses described in this Item 6 are nonrefundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.

<sup>1</sup> “Gross Revenue” includes all sales of every kind and nature at or from your Franchised Business location or made pursuant to the rights granted to you by the Franchise Agreement, without deduction for delivery costs or other write-offs. “Gross Revenue” does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e. coupons) and (iv) properly documented employee discounts (limited to 3% of Gross Revenue). Gross Revenue does not include gift card purchases, at the time of purchase, but Gross Revenue does include the redemption amount of purchases made by gift card. If you do not report revenues for any week, then we will collect 120% of the last Royalty Fee collected and settle the balance the next period in which you report revenue. You are required to set up authorization at your bank to allow us to electronically transfer funds from your bank account to our bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds.

If a state or local law applicable to your Franchised Business prohibits or restricts in any way your ability to pay and our ability to collect Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Franchised Business, then we will renegotiate the Royalty Fees and other provisions to provide the same basic economic effect to both us and you as otherwise provided in this Agreement, with a corresponding change to the definition of Gross Sales.

<sup>2</sup> Upon our request, you must furnish us with a monthly report and documentation of local advertising expenditures during the previous calendar month. You may not use social media platforms, such as Facebook, Twitter, Instagram, TikTok, LinkedIn, YouTube, blogs and other networking and sharing websites, unless you first receive our written approval to do so and such use is in strict accordance with our requirements. In addition to your monthly Local Advertising requirement, you agree to participate in any other advertising, promotional or marketing programs to advertise the Franchised Businesses. The cost for participation in promotional programs will

vary depending on the length and type of promotion, but shall not exceed \$600 per each day of the promotional program. The costs will include labor, marketing materials, furniture, equipment and/or food.

<sup>3</sup> Worldwide Creative Marketing Fee payments are due at the same time and in the same manner as Royalty Fees. You are required to set up authorization at your bank to allow the Worldwide Creative Marketing Fund to electronically transfer funds from your bank account to the Worldwide Creative Marketing Fund’s bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds. If you do not report any sales in a week then the Worldwide Creative Marketing Fund will collect 120% of the last Worldwide Creative Marketing Fee collected and settle the balance the next week in which you report sales.

<sup>4</sup> We may offer mandatory and/or optional additional training programs from time to time. If we require it, you must participate in additional training for up to 5 days per year, at a location we designate. We may also require you to attend a national business meeting or annual convention for up to 5 days per year, at a location we designate. We reserve the right to impose a reasonable fee for all additional training programs, including the national business meeting or annual convention. The current per diem rate is \$1,000 per trainer, plus each trainer’s expenses. You are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor’s national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages.

<sup>5</sup> In the event of your death or disability, your default of the Franchise Agreement, absence of a qualified general manager, or other reasons, in our sole discretion, we may provide interim on-site management of your Franchised Business.

<sup>6</sup> You must indemnify and hold us, our affiliates, and all of our respective officers, directors, agents and employees harmless from and against any and all claims, losses, costs, expenses, liability and damages arising directly or indirectly from, as a result of, or in connection with your business operations under the Franchise Agreement, as well as the costs, including attorneys’ fees, of defending against them.

<sup>7</sup> If you fail to do so, in our sole discretion, we may correct any deficiency in the Franchised Business and/or your operation of the Franchised Business or take steps to modify, alter or de-identify the Franchised Location upon the termination or expiration of the Franchise Agreement. You will reimburse us for our costs and expenses incurred to correct any deficiency or to modify, alter or de-identify the Franchised Business location.

**ITEM 7: ESTIMATED INITIAL INVESTMENT**

<b>YOUR ESTIMATED INITIAL INVESTMENT (Single Unit)</b>				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee <sup>1</sup>	\$35,000	Lump sum payment in cash	Upon signing the Franchise Agreement.	Us

<b>YOUR ESTIMATED INITIAL INVESTMENT (Single Unit)</b>				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
		or available funds		
Delayed Opening Fee	\$0 - \$9,000	As required by Us	As incurred	Us
Your Training Expenses <sup>2</sup>	\$1,500 - \$4,000	As required for transportation, lodging & meals	As required by suppliers of transportation, lodging & meals.	Suppliers of transportation, lodging & meals.
Premises deposits <sup>4</sup>	\$5,000 - \$10,000	As required by landlord, utility providers	As required by landlord, utility providers	Landlord, Utility providers
Rent – 3 months <sup>5</sup>	\$15,000 to \$30,000	As required by landlord	As required by landlord	Landlord
Design and Architect Fees	\$5,000 - \$15,000	As required by supplier	Before opening as required by supplier	Supplier
On-Site Location Evaluation	\$0 to \$500	Lump Sum payment in cash or available funds	Before evaluation	Us
Leasehold Improvements, Construction and/or Remodeling <sup>6</sup>	\$85,000 - \$250,000	As required by supplier, contractor or landlord	Before opening, as required by supplier.	Suppliers, contractor and/or Landlord
Equipment, Furniture & Fixtures <sup>7</sup>	\$45,000 - \$150,000	As required by supplier	Before opening	Suppliers
Interior and Exterior Signage <sup>8</sup>	\$10,000 - \$20,000	As incurred	Before opening	Suppliers
Business Licenses and Permits <sup>9</sup>	\$1,000 - \$5,000	As required by government agencies	Before opening, as required by government agencies	Government Agencies
Computer Systems <sup>10</sup>	\$8,000 - \$20,000	As required by suppliers	Before opening	Suppliers
Computer Systems – Installation and Training	\$0 - \$2,000	As required by suppliers	Before opening	Suppliers
Initial Inventory <sup>11</sup>	\$15,000 - \$30,000	As required by suppliers	Before opening	Suppliers, Us
Professional Fees <sup>12</sup>	\$500 - \$1,500	As required by providers	As incurred	Attorney, Accountant, Other

<b>YOUR ESTIMATED INITIAL INVESTMENT (Single Unit)</b>				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
				Professional Service Providers
Grand Opening Advertising <sup>13</sup>	\$15,000	As required by supplier	As required by supplier	Suppliers of Us
Insurance <sup>14</sup>	\$2,000 - \$4,000	As required by insurer	Before opening	Insurer
Ancillary Real Estate Costs <sup>15</sup>	\$5,000-\$25,000	As incurred	Before Opening	Providers and/or Landlord
Additional Funds – 3 months <sup>16</sup>	\$25,000 - \$100,000	As incurred	Payroll weekly, other purchases according to agreed-upon terms	Employees, utilities, suppliers, etc.
<b>TOTAL</b>	<b>\$273,000 - \$726,000</b>			

<b>YOUR ESTIMATED INITIAL INVESTMENT (Multi-Unit)</b>				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Development Fee for 5 Outlets <sup>1</sup>	\$140,000	Lump sum payment in cash or available funds	Upon signing the Multi-Unit Operator Agreement.	Us
Other Expenditures for the First Franchised Business	\$238,000 - \$691,000	As Disclosed in the above Table	As Disclosed in above Table	As Disclosed in the above Table
<b>TOTAL</b>	<b>\$378,000 - \$831,000</b>			

<sup>1</sup> **Initial Franchise Fee.** Please see Item 5 for information on incentive programs that may offer a discount on the Initial Franchise Fee. The amounts stated in the Single Unit table are for one outlet operated pursuant to a single Franchise Agreement. The amounts stated in the Multi-Unit table assume you will develop the minimum of 5 Franchised Businesses. The Development Fee will increase if you commit to develop more than 5 Franchised Businesses. If you commit to open between 6 and 9 Franchised Businesses, then the Development Fee will increase by \$17,500 for each additional Franchised Business. If you commit to open 10 or more Franchised Businesses, then the Development Fee will be \$262,500 for 10 Restaurants and will increase by \$17,500 for each additional Franchised Business you commit to open.

<sup>2</sup> Your Training Expenses. The cost of the HQ Initial Training program for up to 3 individuals is included in the Initial Franchise Fee. The chart estimates the costs for transportation, lodging, and meals for your trainees. These incidental costs are not included in the Initial Franchise Fee. Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation and living expenses. The duration of the training program is approximately 2 weeks. This estimate does not include employee wages.

<sup>3</sup> Premises Deposits. We anticipate that you will rent the Franchised Business's premises. It is possible, however, that you might choose to buy, rather than rent, real estate on which a building suitable for the Franchised Business already is constructed or could be constructed. An outlet would require a minimum of approximately 800 to 2,000 square feet. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Because of the numerous variables that affect the value of a particular piece of real estate, this estimated initial investment table does not reflect the potential cost of purchasing real estate.

<sup>4</sup> Rent – 3 Months. Landlords may vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges"), your pro rata share of the real estate taxes and insurance, and your pro rata share of other charges. The actual amount you pay under the lease will vary depending on the size of the Franchised Business, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region. We relied upon the experience of our affiliates to compile this estimate.

<sup>5</sup> Leasehold Improvements, Construction and/or Remodeling. The cost of leasehold improvements depends upon the condition and size of the leasehold, the local cost of contract work and the location of the Franchised Business. Estimates for leasehold improvements, building construction and site work will vary based upon the footprint and square footage of your specific Franchised Business premises. In some instances, the Franchised Businesses may be larger or smaller, depending on the size of available sites and/or franchisee preferences. The estimated figures include remodeling walls, ceilings, floors, and other construction including electrical, plumbing and carpentry work. These amounts will vary based on the condition of the existing leasehold. Many locations are built in existing structures, while many others are new build-outs. You will incur expenditures in this category if you take over space which was occupied by a prior tenant. It is difficult, if not impossible, to estimate what it might cost to improve existing property. Tenant improvement allowances, if any, paid to you may defray a portion of build-out costs.

<sup>6</sup> Equipment, Furniture & Fixtures. The equipment, furniture, fixtures, and décor necessary for the operation of a Cilantro Taco Grill Franchised Business include all furniture, sinks, tables, display cases, refrigerators, smallware, and miscellaneous other kitchen items, many of which may be leased. These estimates do not include freight or installs. Based on where the Franchised Business is located, these estimates may vary.

<sup>7</sup> Interior and Exterior Signage. This estimate is for the cost to produce and mount storefront signage and for the interior and exterior of the premises.

<sup>8</sup> Business Licenses and Permits This is an estimate of the costs of building permits, sign permits and a certificate of occupancy for your premises. Not all locations will require all of these permits, depending on the prior use of the premises and the requirements of local ordinances. This estimate also includes the cost of a local business license. The costs of permits and licenses will vary by location. We cannot estimate the cost of this license because requirements and fees vary widely. Please contact your local governing agency for this information. You must secure and maintain the appropriate permits and licenses needed to serve beer and wine at your Franchised Business. Since the availability and expense of a beer and wine license can vary substantially from jurisdiction to jurisdiction, you should consult the appropriate governmental authority and an attorney concerning the availability of the required license and the associated expenses for your Franchised Business before you sign a Franchise Agreement. The cost of a beer and wine license can range from under \$2,000 to over \$50,000, depending on the location and jurisdiction, but can be even higher in some states. We strongly recommend that you verify the cost and availability of a beer and wine license for your jurisdiction before signing the Franchise Agreement.

<sup>9</sup> Computer Systems. They require you to purchase the computer systems, software, hardware and peripherals meeting our minimum specifications for use at your Franchised Business. This estimate includes the cost of our current required POS system and business management software. You must also have Internet and other telecommunications equipment and services in accordance with our standards to permit electronic transmission of sales information. We reserve the right to change your requirements for computer software, hardware and peripherals at any time.

<sup>10</sup> Initial Inventory. This estimate is for the cost of the initial inventory sufficient for approximately 3 months of operation. Your initial inventory will include ingredients and supplies, containers, cleaning products, and other disposables.

<sup>11</sup> Professional Fees. You may incur professional fees depending on the scope of work performed, which may include, legal and accounting fees to review franchise documents and costs of forming a separate legal entity and/or obtaining zoning approval. This amount will vary greatly depending on your specific needs and location. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your franchise.

<sup>12</sup> Grand Opening Advertising. You must perform grand opening advertising and promotional activities prior to and within the first 30 days following the opening of your Franchised Business in your territory. We reserve the right to collect some or all of your grand opening fund and implement grand opening campaign activities on your behalf.

<sup>13</sup> Insurance. Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. This estimate includes the estimated quarterly insurance premium for the insurance policies we require you to maintain. Our insurance requirements are described in Item 8. You should contact your insurance agent and obtain an estimate of your actual insurance costs. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement.



<sup>14</sup> Ancillary Real Estate Costs. We are the estimated costs you may incur for additional real estate research and broker incentives.

<sup>15</sup> Additional Funds – 3 months. We relied on our affiliates' experience in operating Cilantro Taco Grill businesses in the Illinois area since 2013 when preparing this estimate. This is an estimate of the amount of additional operating capital that you may need to operate your Franchised Business during the first 3 months after commencing operations. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate. This estimate includes such items as utilities, internet service, initial payroll and payroll taxes, Royalties (as described in this disclosure document), Worldwide Creative Marketing Fees, repairs and maintenance, bank charges, music fees, miscellaneous supplies and equipment, initial staff recruiting expenses, and other miscellaneous items. These estimates do not include any compensation to you, nor do they include debt service.

You should review these figures carefully with a business advisor before making any decision to invest in the franchise. Your additional costs will depend on factors such as how closely you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for our service; competition; and the sales level reached during your initial period.

We do not offer financing for any part of the initial investment.

All fees and payments are non-refundable, unless otherwise stated or permitted by payee.

#### **ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

We have identified various suppliers, distributors and manufacturers of equipment, inventory, and services that your Franchised Business must use or provide which meet our standards and requirements. You must purchase all equipment, fixtures, inventory, supplies and services from our designated suppliers and contractors or in accordance with our specifications.

No franchisor officer owns an interest in any supplier. Neither we nor our affiliates are an approved supplier of any item that you must purchase or lease. If we or our affiliate become a designated or approved supplier, then we and our affiliate will reserve the right to earn a profit from the sale of products to our franchisees. During the fiscal year ended December 31, 2022, neither we nor our affiliate earned any revenue from the sale of products to our franchisees.

We approve suppliers after careful review of the quality of the products they provide to us and you. If you would like us to consider another item or supplier, you must make such request in writing to us and have the supplier give us samples of its product or service and such other information that we may require. If the item and/or supplier meet our specifications, as we determine in our sole discretion, we will approve it as an additional item or supplier. We will make a good-faith effort to notify you whether we approve or disapprove of the proposed item or supplier within 30 days after we receive all required information to evaluate the product or service. If we do not approve any request within 30 days, it is deemed unapproved. We reserve the right to

revoke approval of any item or supplier that does not continue to meet our then-current standards upon written notice to you. Our criteria for approving items and suppliers are not available to you. If you request that we approve a proposed item or supplier, we reserve the right to charge an Evaluation Fee equal to our actual costs of inspection and testing.

We maintain written lists of approved items of equipment, fixtures, inventory and services (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items. We update these lists periodically and issue the updated lists to all franchisees via email and/or updates to the Manual.

You must hire a licensed architect and general contractor that meet our approval to adapt our prototype plans and specifications to the specific shape and dimensions of the accepted location for your Franchised Business. You must use an approved supplier for the kitchen design and interior elevations of your Franchised Business.

We do not receive any other revenue, rebates, discounts or other material consideration from any other suppliers based on your required purchases of products, supplies or equipment; however, we may do so in the future, and any rebates or discounts we receive may be kept by us in our sole discretion.

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 70 - 80% of your costs to establish your Franchised Business and approximately 30 - 40% of your costs for ongoing operation.

Currently, there are no purchasing or distribution cooperatives. However, we can require that you make your purchases through a cooperative if one is formed.

From time to time, we may negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees. As of the date of this Disclosure Document, we have not created any purchasing arrangements with suppliers.

We have the right to collect and retain any and all allowances, rebates, credits, incentives, or benefits (collectively, "Allowances") offered by manufacturers, suppliers, and distributors to you, to us, or to our affiliate, based upon your purchases of products (including proprietary products) and services from manufacturers, suppliers, and distributors. We or our affiliates will have all right, title, and interest in and to any and all of these Allowances. We or our affiliate may collect and retain any or all of these Allowances without restriction (unless otherwise instructed by the manufacturer, supplier, or distributor). If we contribute any Allowances from approved suppliers to the Worldwide Creative Marketing Fund, it will not reduce or eliminate your obligation to pay the Worldwide Creative Marketing Fund contribution. During the fiscal year ended December 31, 2022, we and our affiliate did not earn any Allowances because we did not have any franchisees.

Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. The minimum insurance required is comprehensive general liability insurance, in the amount of at least \$2,000,000 per occurrence, including broad form

contractual liability, employment practices coverage, broad form property damage, personal injury, facilities, completed operations, products liability, automobile (covering all vehicles used in the delivery of catering and products from the Franchised Business, including owned, hired and non-owned vehicles), and fire legal liability (however, in the event Franchisee offers alcoholic beverages from the Franchised Business, it shall include liquor liability, and the amount of comprehensive general liability will increase to \$5,000,000); property and casualty insurance to cover the full replacement value of your leasehold improvements, equipment, furniture, fixtures, and inventory; business interruption insurance of at least 50% of your annual Gross Revenue excluding payroll; statutory worker’s compensation insurance in the limits required by state law; comprehensive automobile liability insurance in the amount of at least a combined single limit for bodily injury and property damage of \$1,000,000; coverage for damage or loss of electronic and computer equipment, media and data in an amount of not less than \$10,000; and coverage for identity forgery, alteration or theft in an amount of at least \$2,500 per loss and \$2,500 for expenses. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement.

In addition, related to any construction, renovation, refurbishment or remodeling of the Franchised Business, you must maintain builders’ risks insurance and performance and completion bonds in forms and amounts, and written by duly licensed carrier or carriers, satisfactory to us. All policies, including general liability and property damage policies, must name us and those of our affiliates that we specify, and the respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional named insureds and must include a waiver of subrogation in favor of all those parties.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

**ITEM 9: FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section or Article in Franchise Agreement</b>	<b>Section or Article in Multi-Unit Operator Agreement</b>	<b>Item in Franchise Disclosure Document</b>
a. Site Selection and Acquisition/Lease	8.1	Not Applicable	11

<b>Obligation</b>	<b>Section or Article in Franchise Agreement</b>	<b>Section or Article in Multi-Unit Operator Agreement</b>	<b>Item in Franchise Disclosure Document</b>
b. Pre-Opening Purchase/Leases	8.1, 10.5, 12.3.1	Not Applicable	7, 11
c. Site Development & other Pre-Opening Requirements	8.2, 8.3, 12.1.1, 12.1.3	Article 5	11
d. Initial and Ongoing Training	Article 7	Not Applicable	11
e. Opening	8.2.3, 8.3	Not Applicable	11
f. Fees	5.1, 5.2.7, Article 6, 12.3.7, 12.6, 15.6, 16.4, 18.1.4, 18.1.5, 18.1.8, 19.1.5	Article 4	5, 6, 7
g. Compliance with Standards and Policies/Operating Manual	Article 9, 12.1, 19.1.1	Not Applicable	8, 11
h. Trademarks and Proprietary Information	9.4, 12.1.8, Article 14, 19.2, 19.3, 19.4	Not Applicable	13, 14
i. Restrictions on Products/Services Offered	12.1.1, 12.1.4, 12.6	Not Applicable	8, 16
j. Warranty and Customer Service Requirements	Not Applicable	Not Applicable	Not Applicable
k. Territorial Development	3.1	Article 5	12
l. Ongoing Product/Service Purchases	12.1.4, 12.3.5	Not Applicable	8
m. Maintenance, Appearance and Remodeling Requirements	Article 9, 12.1.2	Not Applicable	Item 11
n. Insurance	Article 15	Not Applicable	7
o. Advertising	12.1.9, Article 13	Not Applicable	6, 11

Obligation	Section or Article in Franchise Agreement	Section or Article in Multi-Unit Operator Agreement	Item in Franchise Disclosure Document
p. Indemnification	7.3, 8.1.1, 12.4, 14.8, 15.6, 16.3.6, 21.1	Article 9	14
q. Owner's Participation, Management, Staffing	11.1, 12.1.6	Not Applicable	11, 15
r. Records /Reports	12.2	Not Applicable	6
s. Inspections and Audits	9.2, 12.1.7, 12.2.5	Not Applicable	6, 11
t. Transfer	Article 16	Article 6	17
u. Renewal	Article 5	Not Applicable	17
v. Post-Termination Obligations	Article 18	Section 7.4	17
w. Non-Competition Covenants	19.5	Article 8	17
x. Dispute Resolution	Article 20	Article 10	17

**ITEM 10: FINANCING**

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

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

**Except as listed below, CTG Franchise LLC is not required to provide you with any assistance.**

**1. Pre-Opening Obligations**

Before you open your Franchised Businesses, we will provide you with the following assistance:

- a. We we will provide you with our then-current site selection guidelines and approve a location for your Franchised Business. Within 60 days of signing the Franchise Agreement, you must submit a written request for approval to us describing the proposed location and

providing other information about the site that we reasonably request. We will respond within 30 days, either accepting or rejecting the proposed location. We consider the following factors in approving a site: general location and neighborhood, distance from neighboring franchise territories, proximity to major roads and residential areas, traffic patterns, condition of premises, tenant mix, and demographic characteristics of the area. If you do not identify a site that meets our approval within 60 days of signing the Franchise Agreement, we reserve the right to terminate the Franchise Agreement. We will not own and/or lease a site to you. You are responsible for negotiating a lease with the owner of a site we approve. Any lease must include our Conditional Assignment of Lease Agreement, a copy of which is attached to the Franchise Agreement as Attachment 5 (Franchise Agreement, Sections 8.1.2, 8.1.3 10.1).

- b. We will provide you with our then-current specifications for the layout, design, appearance, and signage for your Cilantro Taco Grill outlet. You, your architect, and your contractor are required to adapt our specifications for the construction of your premises and obtain permits. We do not adapt plans or obtain permits for you. In our discretion, we may require you to use our designated architect and/or contractors for site development and sign installation (Franchise Agreement, Sections 8.2.1, 10.2).
- c. We will loan to you the Cilantro Taco Grill Operations Manual, other manuals and training aids we designate, and give you access to on-line learning modules for use in the operation of your Cilantro Taco Grill Franchised Business, as they may be revised from time to time. (Franchise Agreement, Section 10.3).
- d. We will provide a then-current written list of equipment, signage, supplies and products that will be required to open the Franchised Business. We and our affiliates are not obligated to install any of these items (Franchise Agreement, Section 10.5).
- e. We will provide initial training at our headquarters and/or affiliate-owned outlet. We reserve the right to designate an alternative location for the initial training. We will determine, in our sole discretion, whether you satisfactorily complete the initial training. (Franchise Agreement, Sections 7.1, 7.2).
- f. We will provide a trainer at your premises for on-site training, supervision and assistance for up to 10 days upon the opening of your first Franchised Business (“Pre-Opening Assistance and Training). (Franchise Agreement, Section 7.5, 10.9).
- g. We will provide you with standards for qualifications and training of your employees. We do not otherwise assist you with employee hiring and training (Franchise Agreement, Section 12.1.6).
- h. Subject to applicable law, we will recommend maximum prices to charge for products and services at your Cilantro Taco Grill outlet (Franchise Agreement, Section 12.5). We do not determine the minimum prices that you must charge.

2. **Time to Open**

We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your Franchised Business is between 9 and 12 months. Factors that may affect this time period include your ability to acquire financing or permits, renovate your location, have signs and equipment installed in your location, and complete required training. You must find a site that we accept within 60 days of signing the Franchise Agreement, and in all cases you must commence operations within 12 months of signing the Franchise Agreement. If you have not opened your Franchised Business within 12 months after you sign the Franchise Agreement, you must obtain our consent to extend the time to open, which we may or may not grant, at our discretion. Failure to open your Franchised Business within the original time as extended, is a default of the Franchise Agreement. (Franchise Agreement, Sections 8.1, 8.3).

If you are a Multi-Unit Operator, you must submit each proposed site to be developed under the minimum performance schedule to us for our approval, which approval will be based on our then-current standards.

If your Franchised Business does not open within 12 months after you have signed the Franchise Agreement, except for circumstances outside of your control, you must pay to us a delayed opening fee of \$100 per day for each day that the opening of your Franchised Business is delayed, up to a maximum of 90 days. If your Franchised Business is not open after this additional 90-day period, then we may terminate your Franchise Agreement or we may require you to continue paying the delayed opening fee until your Franchised Business has opened. This fee is not refundable. (Franchise Agreement, Section 8.3).

### **3. Obligations After Opening**

During the operation of your franchise, we will provide you with the following assistance:

- a. From time to time, in our discretion, we will provide mandatory or optional additional training programs. If we require it, you must attend mandatory additional training offered by us for up to 5 days each year, and/or attend an annual business meeting or franchisee conference for up to 5 days each year at a location we designate. Failure to attend mandatory additional training or an annual business meeting or conference is a default of the Franchise Agreement. We reserve the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. The current per diem rate is \$1,000 per trainer, plus each trainer's expenses. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs. (Franchise Agreement, Section 7.6).
- b. Upon your request, or as we determine to be appropriate, we will provide corrective on-site training and assistance at your premises. For any on-site remedial training, you must reimburse all costs for the services of our trainer, including but not limited to the trainer's

then-current per diem fee and all travel-related expenses, such as transportation, meals and lodging. The current fee is \$500 per trainer per day (Franchise Agreement, Section 7.7).

- c. Upon your request, we will provide individualized assistance to you within reasonable limits by telephone, video conferencing, electronic mail or postage service, subject at all times to availability of our personnel and in reasonable limits (Franchise Agreement, Section 7.8).
- e. From time to time, as may become available, we will provide you with samples or digital artwork, advertising and promotional materials (Franchise Agreement, Section 10.6).
- f. We will conduct inspections of your Franchised Business, at the frequency and duration that we deem advisable. Such inspections include evaluating your service and premises to ensure that they meet our standards (Franchise Agreement, Section 10.4).
- g. We will provide you with any written specifications for required equipment, products and services and updated lists of any approved suppliers of these items (Franchise Agreement, Section 10.7).
- h. Subject to applicable law, we will recommend maximum prices to charge for products and services at your Cilantro Taco Grill outlet (Franchise Agreement, Section 12.5). We do not determine the minimum prices that you must charge.
- i. We will approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within 15 days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within 15 days, the proposed material and/or campaign is deemed “disapproved”. (Franchise Agreement, Section 13.6).
- j. Subject to applicable law, we will recommend maximum prices to charge for products and services at your Cilantro Taco Grill outlet (Franchise Agreement, Section 12.5). We do not determine the minimum prices that you must charge.

#### 4. **Advertising**

##### **Local Advertising** (Franchise Agreement, Sections 13.2 and 13.6)

We require you to spend \$15,000 in grand opening advertising and promotional activities prior to and within the first 30 days following the opening of your Franchised Business in your territory. Thereafter, you are required to spend at least 1% of monthly Gross Revenue on advertising for the Franchised Business in your territory. Local Advertising may include promotion and marketing through social media platforms, with our prior approval. Local Advertising expenditures also include contributions to a marketing fund operated by your landlord. We must approve all advertising materials. We reserve the right to collect some or all of your grand opening funds and/or your Local Advertising expenditure and implement grand opening campaign activities and/or Local Advertising on your behalf.



You may develop advertising materials for your own use at your own cost, and you may use marketing materials that we may offer to you from time to time. You may not use any advertising or marketing materials, including press releases, unless they have been approved in advance in writing by us, which approval may be withheld in our discretion. We will respond to your request for approval within 15 days; however, if we do not respond within 15 days, the proposed advertising or marketing material is deemed “disapproved”.

We do not provide for placement of local advertising on your behalf, and we have no obligation to spend any amount on advertising in your area or territory. You are responsible for local advertising placement. If feasible, you may do cooperative advertising with other Cilantro Taco Grill franchisees in your area, with our prior written approval. You may not maintain any business profile on Facebook, Twitter, Instagram, LinkedIn, YouTube or any other social media and/or networking site without our prior written approval.

Promotional Programs. In addition to your monthly Local Advertising requirement, you agree to participate in any other advertising, promotional or marketing programs to advertise the Franchised Businesses. The cost for participation in promotional programs will vary depending on the length and type of promotion, but shall not exceed \$600 per each day of the promotional program. The costs will include labor, marketing materials, furniture, equipment and/or food.

**Worldwide Creative Marketing Fund** (Franchise Agreement, Section 13.3)

You are required to contribute to the Worldwide Creative Marketing Fund up to 2% of weekly Gross Revenue generated by your Franchised Business. Your Worldwide Creative Marketing Fund contribution is collected at the same time and in the same manner as your Royalty. Each Cilantro Taco Grill outlet operated by our affiliate or us may contribute to the Worldwide Creative Marketing Fund, in our discretion, but has no obligation to do so.

The Worldwide Creative Marketing Fund is administered by us. We may use Worldwide Creative Marketing Fund contributions to pay any and all costs for the development, production and placement of advertising, marketing, promotional and public relations materials and programs. We may also use Worldwide Creative Marketing Fund contributions to pay any and all costs of marketing seminars and training programs, market research, services of advertising and/or public relations agencies, and website development and maintenance. We may further use Worldwide Creative Marketing Fund contributions to pay our costs (including salaries of our personnel and other administrative costs) for advertising that is administered by us or prepared by us, as well as for administration and direction of the Worldwide Creative Marketing Fund. For the fiscal year ended December 31, 2022, the Worldwide Creative Marketing Fund did not have any expenditures since it was not formed.

The Worldwide Creative Marketing Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we reserve the right to include “Franchises Available” or similar language and contact information in advertising produced with Worldwide Creative Marketing Fund contributions. The Worldwide Creative Marketing Fund and its earnings shall not otherwise inure

to our benefit except that any resulting technology and intellectual property shall be deemed our property.

The Worldwide Creative Marketing Fund collects and expends the Worldwide Creative Marketing Fund contributions for the benefit of the System as a whole. We reserve the right to use the Worldwide Creative Marketing Fund contributions to place advertising in national, regional or local media (including broadcast, print, or other media) and to conduct marketing campaigns through any channel, in our discretion, including but not limited to, Internet and direct-mail campaigns. We have no obligation, however, to place advertising or conduct marketing campaigns in any particular area, including the territory where your Franchised Business is located.

The Worldwide Creative Marketing Fund and its earnings shall not otherwise inure to our benefit except that any resulting technology and intellectual property shall be deemed our property.

We have no obligation to make expenditures that are equivalent or proportionate to your Worldwide Creative Marketing Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Worldwide Creative Marketing Fund.

An annual unaudited financial statement of the Worldwide Creative Marketing Fund is available to any franchisee upon written request.

If we spend more or less than the total of all contributions to the Worldwide Creative Marketing Fund in any fiscal year, we may carry-forward any surplus or deficit to the next fiscal year.

Although the Worldwide Creative Marketing Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Worldwide Creative Marketing Fund, however, until all monies in the Worldwide Creative Marketing Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions. No Worldwide Creative Marketing Fund contributions were required, made or expended as of December 31, 2022.

#### **Advertising Cooperative (Franchise Agreement, Section 13.4)**

Currently, our System has no regional advertising fund or cooperative. However, we may decide to establish a regional fund or cooperative in the future and your participation may be mandatory, in our sole discretion. A regional cooperative will be comprised of all franchised Cilantro Taco Grill outlets in a designated geographic area. Our affiliate-owned outlets may participate in a regional cooperative, in our sole discretion. Each Cilantro Taco Grill outlet will have one vote in the cooperative. We will determine in advance how each cooperative will be organized and governed. We have the right to form, dissolve, merge or change the structure of the cooperatives. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents. Currently, there are no governing documents available for your review.

If we establish a regional advertising fund or cooperative, each member will contribute up to 0.5% of Gross Revenue, as determined by the members. Your contributions to a regional advertising

fund or cooperative will be in addition to your required contributions to the Worldwide Creative Marketing Fund; however, contributions made by you to a regional advertising fund or cooperative will be credited against your required expenditures for local advertising and we may require you to contribute up to one-half of your local advertising requirement to a regional advertising fund or cooperative. The cooperative is not required to prepare an annual financial statement.

**Advertising Council** (Franchise Agreement, Section 9.6)

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee’s level of success, superior performance, and outlet profitability. We reserve the right to change or dissolve the council at any time.

**5. Computer Systems** (Franchise Agreement, Section 12.3)

You must purchase and use the point-of-sale system (“POS System”) we specify, and have the latest versions of hardware, software, peripherals and computer platforms to operate the POS System. The POS System performs a variety of functions, including order management, inventory management, employee scheduling, gift card and loyalty program management, payment processing, bookkeeping, and sales report generation.

You are required to use all software and applications that we specify and pay any subscription or access fees associated with them. You must obtain and maintain high speed Internet access.

The current cost of the computer system is \$8,000 to 20,000. In addition, you must maintain the required software subscriptions, which we anticipate will cost between \$400 and \$750 monthly. You must utilize an approved music streaming service, which we estimate will cost between \$15 and \$50 monthly.

We may in the future establish or modify the sales reporting systems as we deem appropriate for the accurate and expeditious reporting of Gross Revenue, and you must fully cooperate in implementing any such system at your expense.

The POS System allows us to independently and remotely access all of your sales data, including your Gross Revenue, through the Internet. There are no contractual limitations on our right to have full access to this information. We may retrieve, download, analyze and store such information and data at any time. We own all customer data stored in your customer management account.

There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems or programs. We have no obligation to maintain, repair, update or upgrade your computer, hardware, software and peripherals. At your cost, you must provide on-going maintenance and repairs to your computer hardware, software and peripherals. You must upgrade your computer hardware, software and peripherals as necessary to operate the most

current version of the POS System or any replacements thereto. We cannot estimate the cost of maintaining, updating and upgrading your computer hardware, software and peripherals because it will depend on the make and model of your hardware, required upgrades to operate our current management and payment processing applications, repair history, usage, local cost of computer maintenance services in your area and technological advances that we cannot predict. We estimate that computer maintenance will cost approximately \$500 per month.

**6. Table of Contents of Operations Manual**

The Table of Contents of our Cilantro Taco Grill Operations Manual, current as of the date of this Disclosure Document is attached as Exhibit E. The Operations Manual has a total of 170 pages.

**7. Training** (Franchise Agreement, Article 7)

You (if the franchisee is an individual) or all of your owners (if the franchisee is a business entity), and your general manager and two managers must complete our HQ Initial Training program, to our satisfaction, no later than 60 days before opening your Franchised Business. We will train you at our headquarters and/or affiliate-owned location in Chicago, Illinois, or another location we specify:

**TRAINING PROGRAM**

We periodically conduct our HQ Initial Training program throughout the year, as needed. Our HQ Initial Training program is managed by Cuahutémoc Morfin, Aaron DeAngelo Morfin, and Gerardo Morfin. Each of our instructors has up to 10 years of experience relevant to the subject being taught, and at least one year year of experience with us and/or our affiliate-owned Restaurants. We reserve the right to make changes in our training staff as we deem necessary and advisable without prior notice.

<b>HQ INITIAL TRAINING PROGRAM*</b>			
<b>Subject</b>	<b>Hours of Classroom Instruction</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
History of Cilantro Taco Grill	0.5	0	Chicago, Illinois
Use of the Manual	0.5	0	Chicago, Illinois
Tour of Cilantro Taco Grill	1	0	Chicago, Illinois
Pre-Opening Procedures	1	0	Chicago, Illinois
Personnel Issues	2	4	Chicago, Illinois
Advertising	1	2	Chicago, Illinois
Management Procedures	1	8	Chicago, Illinois

<b>HQ INITIAL TRAINING PROGRAM*</b>			
<b>Subject</b>	<b>Hours of Classroom Instruction</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Franchise Reporting Requirements	1	2	Chicago, Illinois
Accounting/Record keeping	1	6	Chicago, Illinois
Customer Service Procedures	1	8	Chicago, Illinois
Front/Back of House – Manager Duties	1	20	Chicago, Illinois
Back of House – Prep/Cook Procedures	1	28	Chicago, Illinois
Inventory Management	1	8	Chicago, Illinois
POS System	1	8	Chicago, Illinois
Cleaning Procedures	1	8	Chicago, Illinois
Safety Procedures	1	8	Chicago, Illinois
<b>Total Hours:</b>	<b>16</b>	<b>110</b>	

Our training materials consist of our Operations Manual, marketing and promotion materials, and any other materials that we believe will be beneficial to our franchisees in the training process.

The cost of our instructors and training materials for up to 3 individuals is included in the Initial Franchise Fee. You must pay for all of travel and personal expenses, including, but not limited to, all costs for your transportation, meals, and lodging for yourself and your personnel. Our current fee to provide initial training to any additional trainee is \$3,500 per person.

If you do not complete our HQ Initial Training program to our satisfaction, we reserve the right to terminate the Franchise Agreement.

We will provide you with on-site training, supervision and assistance for up to 10 days upon the opening of your Franchised Business.

We may conduct mandatory or optional additional training programs, including an annual conference or national business meeting. If we require it, you must attend mandatory training programs that we offer for up to 5 days per year at a location we designate. We may also require you to attend a national business meeting or annual convention for up to 5 days per year, at a location we designate. We reserve the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. The current per diem rate is \$1,000 per trainer, plus each trainer’s expenses. You must also pay your

transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs.

Your Designated Operating Principals and Managers must have attended and completed the McClaskey Excellence Institute, online or at the Kingsport, Tennessee location before they will be permitted to work in the Franchised Business. This program must be arranged and paid for by you.

## **ITEM 12: TERRITORY**

Under the Franchise Agreement, you have the right to establish and operate 1 Cilantro Taco Grill outlet within a territory that will be defined after the location of your Cilantro Taco Grill outlet is identified and approved by us (the "Territory"). You are required to find and obtain possession of a specific location for your Franchised Business that meets our site selection criteria and our approval. The boundaries of your Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet.

Unit franchisees and multi-unit operators 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.

The Territory is determined on an individual basis taking into account geographic area, population density, character of neighborhood, location and number of competing business in the surrounding area, and other factors. There is no minimum territory size for a given Territory, and the exact size of each Territory we award varies based on the factors we have identified; however, a typical Territory might cover a geographical area that consists of: (a) up to a 2-mile radius surrounding your location if your location is in a suburban market area; (b) up to a 1/4-mile radius surrounding your location if your location is in a metropolitan area, downtown area, urban market area, central business district or other area with similar population density; or (c) the Non-Traditional Site. If the Franchised Business is located in a gas station or convenience store; transportation facility, including airport, train station, subway or rail or bus station; military base or government office; sports facility, including stadium or arena; amusement park, zoo or convention center; car or truck rest stop or travel center; educational facility; recreational theme park; hospital; business or industrial foodservice venue; venue in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservation; casino; or any similar captive market location ("Non-Traditional Site"), you will not receive a Territory. Furthermore, you understand and acknowledge that if any Non-Traditional Site (as described above) is located within the physical boundaries of your Territory, then the premises of this Non-Traditional Site will not be included in the Territory and you will have no rights to this Non-Traditional Site.

If you are a Multi-Unit Operator, each Franchised Business and its Territory will be located within your Development Area. The designated geographical territory for each Franchised Business will depend on whether your Franchised Business will be located in an urban or a suburban setting.

There is no minimum territory size for a given Territory, and the exact size of each Territory we award varies based on the then-current terms described above. You must submit each proposed site to be developed under the minimum performance schedule to us for our approval, which approval will be based on our then-current standards.

Your Territory will be identified in your Franchise Agreement.

During the term of your Franchise Agreement, and provided that you are not in default of your Franchise Agreement, we will not open another Cilantro Taco Grill outlet or grant the right to anyone else to open a Cilantro Taco Grill outlet within your Territory. However, we reserve all rights to sell, either directly or through others, our products and services under the Marks in the Territory through alternative distribution channels.

There are no minimum sales volumes, market penetration or any other contingencies that will affect your limited protected right to operate in the Territory during the term of your Franchise Agreement, unless you are in default of your obligations to us.

You may not change the location of your Franchised Business, without our written consent, which we may withhold in our sole discretion. If we give our consent, we will charge you a relocation fee equal to \$1,500 in addition to our actual costs and expenses. The conditions under which we may allow you to relocate include the following: loss of your premises not due to your default, demographics of the surrounding area, proximity to other Cilantro Taco Grill outlets, lease requirements, traffic patterns, vehicular and pedestrian access, proximity to major roads, available parking, and overall suitability. If you wish to relocate, you must identify a new location for the Franchised Business that meets our approval, in accordance with our then-current site selection procedures, and build out the approved location within 120 days. If you do not identify a site and complete the build-out within this time period, we may terminate the Franchise Agreement. You must continue to operate at your original premises until construction of the new site is complete.

Unless you have signed our Multi-Unit Operator Agreement, we may, but have no obligation to, consider granting to you the right to establish additional Cilantro Taco Grill outlets under other franchise agreements. The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises within the Territory or contiguous territories. We may, but have no obligation to, consider granting to you the right to establish additional Cilantro Taco Grill outlets under other franchise agreements if you are in compliance with the Franchise Agreement and propose to open another Cilantro Taco Grill Franchise in an area and at a location we approve.

There are no sales volume to must maintain to retain your rights under the Multi-Unit Operator Agreement, but you must have open and in operation the cumulative number of Cilantro Taco Grill Franchised Businesses stated on the Mandatory Development Schedule by the dates agreed upon in the Mandatory Development Schedule. Failure to meet Mandatory Development Schedule will be grounds for either a loss of territorial rights or the termination of the Multi-Unit Operator Agreement.


We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate or authorize others to own or operate Cilantro Taco Grill outlets outside of the Territory and may operate other kinds of businesses within the Territory. Although we do not currently do so and have no plans to do so, we and our affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Marks, including a product or service similar to those you will sell at your Franchised Business. We reserve the right to merge with, acquire, or be acquired by, an existing competitive or non-competitive franchise network, chain, or other business; however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Franchise Agreement.

We and our affiliates may sell products and services under the Marks within or outside the Territory through any method of distribution other than a dedicated Cilantro Taco Grill outlet location, such as distribution through retail outlets, including but not limited to, grocery stores; ghost kitchens; co-branding with other food outlets; in captive market locations, such as airports, stadiums, institutional/professional campuses and conferences; and the Internet (“Alternative Distribution Channels”). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory. You may not use Alternative Distribution Channels to make sales inside or outside your Territory; however, we will include a listing on our website of your Cilantro Taco Grill outlet location and customers may place on-line orders at your location for pick-up or delivery.

You may not solicit or sell or accept orders from customers outside your Territory. You may not use Alternative Distribution Channels to solicit or sell products inside or outside your Territory. You will not receive any compensation or consideration if we solicit or accept sales orders in your Designated Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory.

**ITEM 13: TRADEMARKS**

CTG IP LLC is the owner of the Marks and has granted us the exclusive right to use the Marks and license to others the right to use the Marks in the operation of a Cilantro Taco Grill outlet in accordance with the system. The Franchise Agreement will license to you the right to operate your Cilantro Taco Grill outlet under the Cilantro Taco Grill service marks with design, as described below (“Principal Marks”):

Mark	Filing Number	Filings Date	Registration Number	Registration Date	Register
	88046940	07/20/2018	6132986	08/25/2020	Principal

We expect and intend to work with our affiliate, CTG IP LLC to file all required affidavits with the USPTO for the Principal Marks above, as and when they become due and have filed all required affidavits to date. Presently, there are no agreements in effect that significantly limit our rights to



use or license the use of the Principal Marks listed in this Item in a manner material to the franchise – other than our license agreement with CTG IP LLC. Our license agreement with CTG IP LLC (“Licensor”) gives us broad rights to use the Marks in connection with the operation of the Cilantro Taco Grill franchise System, and to sublicense to franchisees the right to use the Marks, in strict accordance with our Franchise Agreement. The term of our license agreement is for 5 years, commencing May 23, 2023, and will automatically renew every 5 years. The license agreement will terminate only upon (i) our bankruptcy or (ii) our election to terminate by providing 180 days’ prior notice to the Licensor. A termination of the license agreement will have no effect on sublicenses granted to franchisees prior to the date of termination. We are not aware of any infringing use of our primary Principal Marks that could materially affect your use.

You must notify us immediately when you learn about an infringement of or challenge to your use of the Principal Marks or other Marks. Our affiliate and we will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of the Principal Marks or other Marks. Our affiliate and we have the right to control any administrative proceedings or litigation involving the Principal Marks or other Marks licensed by us to you. You must cooperate fully with our affiliate and us in defending and/or settling the litigation.

We reserve the right to substitute different Marks if we can no longer use the current Marks, or if we determine that substitution of different Marks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any Mark, including the Principal Marks, or to use one or more additional or substitute Marks.

You must not directly or indirectly contest our affiliate’s right, or our right, to the Principal Marks or other Marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the Marks. There is no pending infringement, opposition or cancellation. There is no pending material federal or state court litigation involving the Principal Marks or other Marks.

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Marks.

**ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials, photographs and other written materials. We also claim copyrights and other proprietary rights in our Manual and website.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect that limit your right to use any of our copyrights. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights that could materially affect your use of them.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, formulas, recipes, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never (during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated) reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Your personnel who have access to our Confidential Information must sign our Confidentiality/Non-Competition Agreement.

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

We reserve the right to modify or discontinue using the subject matter covered by a patent or copyright. In such event, we may require you, at your expense, to modify or discontinue using the subject matter in the operation of your Franchised Business.

**ITEM 15: OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

The Franchise Agreement does not require that you personally supervise your Cilantro Taco Grill outlet, although we recommend it. During the entire term of the Franchise Agreement and any renewals, you must consistently employ and designate a minimum of one General Manager and two Managers who will be the main individuals responsible for the supervision, management and operation of the Franchised Business. The General Manager and Managers must devote their full

time and reasonable efforts the day-to-day operations of the Franchised Business. You must also employ additional personnel needed to operate and to manage the Franchised Business. We require General Managers and Managers to satisfy our educational and business criteria. They must be individuals acceptable to us and must satisfy our training requirements, including successful completion of the HQ Initial Training Program.

A Principal can be the General Manager or Manager if they have at least three years of previous restaurant management or restaurant ownership experience. The Designated Controlling Principal may not be the General Manager or Manager. If a General Manager or Manager cannot serve in the position or does not meet the requirements, then he or she must be replaced within 60 days from the date they are no longer able to serve the position or do not meet the requirements. We do not require that your General Manager or Managers have an ownership interest in you. If the franchisee is a business entity, your general manager is not required to have an equity interest in the franchisee entity. Your manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors.

Your manager and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Non-Disclosure/Non-Competition Agreement. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. Your spouse is not required to sign a personal guaranty.

**ITEM 16: RESTRICTIONS ON WHAT FRANCHISEE MAY SELL**

You must offer and sell all products and services that are part of the System, and all services and products which we incorporate into the System in the future. You may sell our products and services at any price you determine, subject to our right to recommend maximum prices as well as the promotional program requirements further detailed in the Franchise Agreement. You may only offer products and services that we have previously approved. You may only engage in providing products and services to end-consumers.

You may not use our Principal Mark or other trademarks for any other business, and you may not conduct any other business from your Franchised Business location. You cannot engage in any other business (other than an additional Cilantro Taco Grill outlet) that competes with your Franchised Business, with us or our affiliates, or with Cilantro Taco Grill outlets owned by other franchisees, whether such business is inside or outside of the Territory.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications. There are no limits on our rights to make these changes.

You may only sell products and services in the manner we prescribe. You may not solicit sales from customers outside your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory. With our prior consent, and in strict accordance with our requirements, you may solicit and conduct sales outside of the Franchised Business location at promotional and sales events within the Territory.

**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.**

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Section 4	Term is 10 years
b.	Renewal or extension of the Term	Section 5.1	If you are in good standing as defined below, you can sign a successor agreement for an additional term of 10 years, unless we have determined, in our sole discretion, to withdraw from the geographical area where your Franchise is located.
c.	Requirements for franchisee to renew or extend	Sections 5.2 and 5.3	Be in full compliance, have no more than 3 events of default during current term, no monetary defaults in the previous 12 months; provide written notice to us at least six months before the end of the term; execute a new franchise agreement; pay us a Successor Agreement Fee; continue to maintain your location, current trade dress and other standards; execute a general release; comply with then-current qualifications and training requirements; including completion of additional training.  You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.
d.	Termination by franchisee	None	You may seek termination upon any grounds available by state law.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
e.	Termination by franchisor without cause	Section 16.7	The Franchise Agreement will terminate upon your death or permanent disability and the Franchise must be transferred within 6 months to a replacement franchisee that we approve.
f.	Termination by franchisor with cause	Section 17	We may terminate only if you default. Termination of the Multi-Unit Operator Agreement alone will not result in termination of your individual Franchise Agreement(s).
g.	“Cause” defined – curable defaults	Section 17.3	You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Franchise Agreement and described in h. immediately below).
h.	“Cause” defined - non-curable defaults	Sections 17.1 and 17.2	The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days. We may terminate the Franchise Agreement upon notice to you if you: do not acquire a site, do not complete construction, obtain permits and/or open the Franchised Business within required time frames; falsify any report to us; cease operations for 5 days or more, unless the premises are damaged and you apply to relocate; lose possession of the premises, unless you are not at fault for loss and you timely apply to relocate; fail to restore and re-open the Franchised Business

	Provision	Section in Franchise Agreement	Summary
			<p>within 120 days after a casualty, as may be extended by us; fail to comply with applicable laws; default under any lease for the premises; understate Gross Revenue 2 or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or crime that could damage the goodwill or reputation of our trademarks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of our trademarks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use our trademarks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations 3 or more times during the term or receive 2 or more default notices in any 12-month period; default under any other agreement with us or our affiliate; have insufficient</p>

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			funds to honor a check or EFT 2 or more times within any 12-month period; or terminate the Franchise Agreement without cause.
i.	Franchisee’s obligations on termination/ non-renewal	Section 18	Upon termination, you must: cease operations; cease to identify yourself as a Cilantro Taco Grill franchisee; cease to use our trademarks; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorney’s fees; deliver to us all Confidential Information, the Operations Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; pay liquidated damages; sell to us, at our option, all furnishing, fixtures, equipment, inventory and supplies of your Franchised Business; and assign, at our option, your telephone numbers, directory and internet listings, social media and software accounts and the lease for the location.
j.	Assignment of contract by franchisor	Section 16.1.1	No restrictions on our right to assign.
k.	“Transfer” by franchisee defined	Section 16.3	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in the Franchisee (if the Franchisee is a business entity).

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
l.	Franchisor approval of transfer by franchisee	Section 16.2	No transfer is allowed without our consent, which we will not unreasonably withhold.
m.	Conditions for franchisor approval of a transfer	Section 16.3 and 16.4	Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee successfully complete our HQ Initial Training program; you have paid us and third-party creditors all amounts owed; you and the transferee sign our form of General Release attached to the Franchise Agreement; you shall subordinate any claims you have against the transferee to us; you will indemnify us for a period of 3 years following the transfer; our approval of the material terms and conditions of the transfer; payment of a transfer fee.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 16.6	You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties.
o.	Franchisor's option to purchase franchisee's business	Section 18.2	Upon termination of the Franchise Agreement, we have the option to purchase your equipment,



	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			furniture, fixtures, signs, advertising materials, supplies, and inventory at your cost or fair market value, whichever is less.
p.	Death or disability of franchisee	Sections 16.3, 16.4 and 16.7	The Franchise Agreement will terminate upon your death or permanent disability, and the Franchise must be transferred within 6 months to a replacement franchisee that we approve.
q.	Non-competition covenants during the term of the franchise	Section 19.5.1	You may not: divert, or attempt to divert, customers of any Cilantro Taco Grill outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 19.5.2	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Cilantro Taco Grill outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within 20 miles of your former Cilantro Taco Grill outlet location or any other Cilantro Taco Grill outlet location (franchised or company owned); do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
s.	Modification of the agreement	Sections 9.4, 14.6, 19.1.4 and 21.4	No oral modifications generally, but we may change the Operations Manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our Marks at any time upon written notice to you.
t.	Integration/merger clause	Section 21.4	Only the terms of the Franchise Agreement and other related written agreements, such as any attachments to the Franchise Agreement or addenda, are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Except the foregoing, nothing in this or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document, its exhibits or amendments.
u.	Dispute resolution by arbitration or mediation	Sections 20.1, 20.2 and 20.3	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration, excluding claims related to injunctive relief, anti-trust, the trademarks, possession of the Franchised Business premises and post-termination obligations. Subject to state law.
v.	Choice of forum	Section 20.5	Litigation takes place in Illinois (subject to applicable state law)
w.	Choice of law	Section 20.5	Illinois law applies (subject to applicable state law)

**THE FRANCHISE RELATIONSHIP  
(UNDER THE MULTI-UNIT OPERATOR AGREEMENT)**

**This table lists certain important provisions of the multi-unit operator agreement. You should read these provisions in the agreement attached to this disclosure document.**

	<b>Provision</b>	<b>Section in Multi-Unit Operator Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Section 3	As determined by you and us based on the number of Cilantro Taco Grill outlets you are to develop.
b.	Renewal or extension of the Term	Not Applicable	Not Applicable
c.	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d.	Termination by franchisee	Not Applicable	You may seek termination upon any grounds available by state law.
e.	Termination by franchisor without cause	Section 6.6	The Multi-Unit Operator Agreement will terminate automatically upon your death or permanent disability, unless prohibited by law and the Development Rights are transferred within 12 months to a replacement developer that we approve.
f.	Termination by franchisor with cause	Section 7	We may terminate only if you default. Termination of the Multi-Unit Operator Agreement alone will not result in termination of your individual Franchise Agreement(s).
g.	“Cause” defined – curable defaults	Section 7.3	You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Multi-Unit Operator Agreement and described in h. immediately below).
h.	“Cause” defined - non-curable defaults	Sections 7.1 and 7.2	The Multi-Unit Operator Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more

Provision	Section in Multi-Unit Operator Agreement	Summary
		<p>than 30 days; or foreclosure proceeding that is not dismissed within 30 days.</p> <p>We may terminate the Multi-Unit Operator Agreement upon notice to you if you: misrepresent or omit a material fact in applying for the Development Rights; falsify any report to us; fail to comply with any federal, state or local law, rule or regulation, applicable to the development and operations of your Cilantro Taco Grill outlets, including, but not limited to, the failure to pay taxes; fail to develop the Cilantro Taco Grill outlets in accordance with the Mandatory Development Schedule; attempt a transfer in violation of the Franchise Agreement; are convicted or plead no contest to a felony or crime that could damage the goodwill or reputation of our trademarks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of our trademarks or the System; fail to comply with non-competition covenants; default, or your affiliate defaults, under any other agreement, including any Franchise Agreement, with us or any of our affiliates, suppliers or landlord and does not cure such default within the time period provided in such other agreement; or terminate the Multi-Unit Operator Agreement without cause.</p>

	<b>Provision</b>	<b>Section in Multi-Unit Operator Agreement</b>	<b>Summary</b>
i.	Franchisee’s obligations on termination/ non-renewal	Section 7.4	Upon termination, you must: cease all development operations and comply with the non-disclosure and non-competition covenants.
j.	Assignment of contract by franchisor	Section 6.1	No restrictions on our right to assign.
k.	“Transfer” by franchisee defined	Section 6.3	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Multi-Unit Operator Agreement or Development Rights.
l.	Franchisor approval of transfer by franchisee	Sections 6.2, 6.3	No transfer is allowed without our consent, which we will not unreasonably withhold.
m.	Conditions for franchisor approval of a transfer	Section 6.3 and 6.4	Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying developers; you have paid us all amounts owed; transferee signs our then-current form of Multi-Unit Operator Agreement, which may have materially different terms from your Multi-Unit Operator Agreement; you and the transferee sign a General Release in the form attached to the Franchise Agreement; you shall subordinate any claims you have against the transferee to us; our approval of the material terms and conditions of the transfer; payment of a transfer fee equal to 50% of our then-current initial franchise fee
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 6.5	You must promptly notify us of any written offer to purchase your Development Rights. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the

	<b>Provision</b>	<b>Section in Multi-Unit Operator Agreement</b>	<b>Summary</b>
			entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties.
o.	Franchisor's option to purchase franchisee's business	Not applicable	Not applicable
p.	Death or disability of franchisee	Section 6.6	The Multi-Unit Operator Agreement will terminate automatically upon your death or permanent disability, unless prohibited by law and the Development Rights are transferred within 12 months to a replacement developer that we approve.
q.	Non-competition covenants during the term of the franchise	Section 8.3.1	You may not: divert, or attempt to divert, customers of any Cilantro Taco Grill outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 8.3.2	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Cilantro Taco Grill outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within 20 miles of your former Cilantro Taco

	<b>Provision</b>	<b>Section in Multi-Unit Operator Agreement</b>	<b>Summary</b>
			Grill outlet location or any other Cilantro Taco Grill outlet location (franchised or company owned); do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
s.	Modification of the agreement	Section 11.4	No oral modifications. No amendment of the provisions will be binding upon either party unless the amendment has been made in writing and executed by all interested parties.
t.	Integration/merger clause	Section 11.4	Only the terms of the Multi-Unit Operator Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of Multi-Unit Operator Agreement may not be enforceable. Except the foregoing, nothing in the Multi-Unit Operator Agreement is intended to disclaim the representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Sections 10.1, 10.2, 10.3, and 10.4	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration, excluding claims related to injunctive relief, anti-trust, the trademarks, and post-termination obligations. Subject to state law.
v.	Choice of forum	Section 10.5	Illinois, subject to applicable state law.
w.	Choice of law	Section 10.5	Illinois law applies, subject to applicable state law.

**ITEM 18: PUBLIC FIGURES**

In exchange for the right to use Armando Perez (aka “Pitbull”)’s name to promote our franchise, we have an agreement with Armando Perez to pay him 1% of the Worldwide Creative Marketing Fee annually as well as 10% of the sale of the Franchisor and 10% dividends. Armando Perez does not manage or own an interest in the Franchisor.

**ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We have 11 Cilantro Taco Grills outlets that are owned and operated by our affiliates that have been open and operating for at least 12 months. We have included the financial representations for these outlets for the fiscal year ending December 31, 2022 below.

<b>CILANTRO TACO GRILL</b>				
<b>2022 GROSS SALES*</b>				
	<i>Unit Name</i>	<i>2022 Gross Sales</i>	<i>SQ Feet</i>	<i>Sales/Sq Feet</i>
1	Cilantro Taco Grill Addison	\$ 1,468,319.00	980	\$ 1,498.28
2	Cilantro Taco Grill Northlake	\$ 2,229,382.00	1852	\$ 1,203.77
3	Cilantro Taco Grill Oak Brook	\$ 1,548,983.00	1042	\$ 1,486.55
4	Cilantro Taco Grill Yorktown	\$ 920,160.70	875	\$ 1,051.61
5	Cilantro Taco Grill Stone Park	\$ 2,069,450.00	880	\$ 2,351.65
6	Cilantro Taco Grill Elgin	\$ 806,553.00	1280	\$ 630.12
7	Cilantro Taco Grill Bloomingdale	\$ 1,029,792.00	1102	\$ 934.48
8	Cilantro Taco Grill Rosemont	\$ 2,328,515.00	1120	\$ 2,079.03
9	Cilantro Taco Grill Elmhurst	\$ 1,082,432.27	1092	\$ 991.24
10	Cilantro Taco Grill Glen Ellyn	\$ 1,009,213.22	1396	\$ 722.93
11	Cilantro Taco Grill Lincoln Park	\$ 907,385.00	1429	\$ 634.98

<i>Average</i>	<i>2022 Gross Sales</i>	<i>SQ Feet</i>	<i>Sales/Sq Feet</i>
	\$ 1,400,016.84	1186.181818	\$ 1,180.27

\*Gross Sales are calculated as total sales minus sales tax and customer refunds.

**Some outlets have earned these amounts. Your individual results may differ. There is no assurance you will earn as much.**

The reasonable basis for inclusion of this Financial Performance Representation is the affiliate-owned outlet are similar to the franchise being offered under this Disclosure Document in terms of operations and product offerings. There are no material financial or operational characteristics of the below affiliate-owned outlets that are reasonably anticipated to differ



materially from future franchise outlet operations. The affiliate-owned outlets are different from the franchise being offered in that they do not pay any Royalty Fees or Worldwide Creative Marketing Fees to us or expend any minimum amount on local advertising and are not subject to territorial advertising or service restrictions.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, CTG Franchise LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Cuahutémoc Morfin at 80 West Lake Street, Northlake, Illinois 60164 or 708-223-0422, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1  
System-wide Outlet Summary  
For Years 2020 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company – Owned*	2020	8	10	+2
	2021	10	12	+2
	2022	12	14	+2
Total Outlets	2020	8	10	+2
	2021	10	12	+2
	2022	12	14	+2

\* Company-owned stores are operated by our affiliate.

Table No. 2  
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)  
For Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Number of Transfers
None	2020	0
	2021	0
	2022	0
Total	2020	0

	2021	0
	2022	0

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

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
None	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

Table No. 4

Status of Company Owned\* Outlets  
For Years 2020 to 2022

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisees	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisees	Col. 8 Outlets at End of the Year
Illinois	2020	8	2	0	0	0	10
	2021	10	2	0	0	0	12
	2022	12	2	0	0	0	14
Total	2020	8	2	0	0	0	10
	2021	10	2	0	0	0	12
	2022	12	2	0	0	0	14

\* Company-owned stores are operated by affiliated entities.

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

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company Owned Outlets in the Next Fiscal Year
Illinois	0	3	0

Total	0	3	0
-------	---	---	---

\* Company-owned stores are operated by affiliated entities.

A list of the names of all franchisees and multi-unit operators and the addresses and telephone numbers of the franchises will be provided in Exhibit F to this disclosure document when applicable.

We do not have any franchisees during our last fiscal year who have had an outlet terminated, canceled, not renewed, or who have otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or have not communicated with us within 10 weeks of the date of this Disclosure Document. A list of each franchisee during our last fiscal year who has had an outlet terminated, canceled, not renewed, or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or has not communicated with us within 10 weeks of the date of this Disclosure Document will be set forth in Exhibit F to this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

## **ITEM 21: FINANCIAL STATEMENTS**

CTG Franchise LLC has not been in business for 3 years, therefore we are not able to include the 3 prior years of audited financial statements normally required by this Item 21. Our audited balance sheet as of December 31, 2022 is included in Exhibit D.

Our fiscal year end is December 31, 2022.

## **ITEM 22: CONTRACTS**

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

- |    |                                    |  |
|----|------------------------------------|--|
| 1. | Franchise Agreement                | Exhibit B                                |
| 2. | Employment Acknowledgment          | Attachment 11 to the Franchise Agreement |
| 3. | HQ Initial Training Acknowledgment | Attachment 12 to the Franchise Agreement |
| 4. | Multi-Unit Operator Agreement      | Exhibit C                                |
| 5. | Franchisee Acknowledgment          | Exhibit H                                |

**ITEM 23:     RECEIPT**

A receipt in duplicate is attached to this Disclosure Document as Exhibit H. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to Cuahutémoc Morfin, CTG Franchise LLC, 80 West Lake Street, Northlake, Illinois 60164.

**EXHIBIT A**  
**AGENCIES/AGENTS FOR SERVICE OF PROCESS**

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

**EXHIBIT B**  
**FRANCHISE AGREEMENT**

**CTG FRANCHISE LLC**  
**FRANCHISE AGREEMENT**

---

**FRANCHISEE**

---

**EFFECTIVE DATE**



## TABLE OF CONTENTS

1.	RECITATIONS.....	1
2.	GRANT OF FRANCHISE.....	1
3.	TERRITORY.....	2
4.	TERM.....	3
5.	SUCCESSOR OPTION.....	3
6.	FEES.....	5
7.	TRAINING.....	7
8.	FRANCHISED LOCATION REQUIREMENTS.....	10
9.	MAINTENANCE AND IMPROVEMENT OF THE FRANCHISED LOCATION AND SYSTEM.....	14
10.	FRANCHISOR’S OBLIGATIONS.....	16
11.	FRANCHISEE’S REPRESENTATIONS, WARRANTIES AND COVENANTS.....	17
12.	FRANCHISEE’S OPERATIONS.....	20
13.	ADVERTISING, PROMOTIONS AND RELATED FEES.....	26
14.	INTELLECTUAL PROPERTY.....	30
15.	INSURANCE AND INDEMNIFICATION.....	33
16.	TRANSFERS.....	35
17.	DEFAULTS.....	40
18.	POST-TERMINATION.....	43
19.	NON-DISCLOSURE AND NON-COMPETITION COVENANTS.....	46
20.	DISPUTE RESOLUTION.....	50
21.	GENERAL.....	52

### **ATTACHMENTS**

Attachment 1 - Trademarks

Attachment 2 - Territory Description And Accepted Location

Attachment 3 – General Release

Attachment 4 - ACH Authorization

Attachment 5 – Conditional Assignment Of Lease

Attachment 6 - Internet Advertising, Social Media, Software And Telephone Listing Agreement

Attachment 7 - Statement Of Ownership Interest In Franchisee/Entity

Attachment 8 - Confidentiality And Non-Compete Agreement

Attachment 9 - Form of Addendum

Attachment 10 - Form of Request For Financial Information

Attachment 11 - Form of Employment Relationship Acknowledgment

Attachment 12 - Form of Employment Acknowledgment

Attachment 13 - Form of HQ Initial Training Acknowledgment

**CTG FRANCHISE LLC**  
**FRANCHISE AGREEMENT**

THIS AGREEMENT is made and entered into on \_\_\_\_\_ (the “Effective Date”) between the franchisor CTG Franchise LLC, an Illinois limited liability company, with its principal address at 80 West Lake Street, Northlake, Illinois 60164 (herein referred to as “Franchisor”) and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal address located at \_\_\_\_\_ and \_\_\_\_\_’s principals: \_\_\_\_\_, an individual residing at \_\_\_\_\_ and \_\_\_\_\_, an individual residing at \_\_\_\_\_ (“Principal(s)”). \_\_\_\_\_ and \_\_\_\_\_ Principal(s) shall be collectively referred to in this Agreement as “Franchisee”.

**RECITATIONS**

Through the expenditure of considerable time, effort and money, Franchisor has developed and established unique fast-casual restaurant businesses featuring authentic Mexican food, such as tacos, burritos, salads, and tortas under the Cilantro Taco Grill trademarks, and using Franchisor’s confidential operations manual (“Manual”) of business practices and policies, and Franchisor’s distinctive, décor, fixtures and furnishings, operations methods, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the “System”).

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the Cilantro Taco Grill service marks, as set forth in Attachment 1, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the “Marks”).

Franchisor continues to develop, use, and control the use of such Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System’s high standards of quality, appearance, and service.

Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, service, and appearance, and the necessity of operating the business franchised hereunder in conformity with Franchisor’s standards and specifications.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows:

**1. RECITATIONS.**

The Recitations set out above form part of this Agreement.

**2. GRANT OF FRANCHISE.** Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions contained in this Agreement, the license to operate a Cilantro Taco Grill franchise (the “Franchise” or “the Franchised Business”), using only the Marks licensed hereunder, in strict conformity with the System, which may be changed, improved and further developed by Franchisor from

time to time. This grant applies only to a single location within a territory that is designated in Attachment 2 attached hereto and incorporated herein (the “Territory”). Franchisee and the Principals have represented to Franchisor that they have entered into this Agreement with the intention of complying fully with the obligations to construct a Cilantro Taco Grill restaurant hereunder and not for the purpose of reselling the rights to develop the restaurant hereunder. Franchisee and the Principals understand and acknowledge that Franchisor has granted such rights in reliance on the business skill, financial capacity, personal character of, and expectations of performance hereunder, by Franchisee and the Principals and that this Agreement and the rights and obligations hereunder may not be transferred until after the Cilantro Taco Grill restaurant is open for business to the public in accordance with Section 8.3, and then only in accordance with Article 16 hereof. If the parties mutually agree to certain negotiated changes during Initial Term or Renewal Term, then Franchisee acknowledges and agrees to sign an addendum in the form attached hereto as Attachment 9 or any form we may require in the future, and that the revisions contained in this form are added terms to this Agreement and no other changes shall be made to the form of addendum itself.

### **3. TERRITORY.**

3.1 Territory. This Agreement grants Franchisee the right to operate the Franchised Business at a single location and from within a Territory. Upon the determination of an Accepted Location, you will be assigned a Territory. Subject to Section 3.2 below, Franchisor agrees that during the term of this Agreement, Franchisor will not operate, and will not authorize any other franchisees to operate, a Cilantro Taco Grill outlet in the Territory using the same Marks as licensed to Franchisee in this Agreement so long as Franchisee is not in default under this Agreement or this Agreement has not been terminated. Except as otherwise specified in this Agreement, Franchisor reserves the right to open, operate or franchise Cilantro Taco Grill franchises bordering and adjacent to the Territory. Except as set forth in this Agreement, Franchisee is prohibited from serving and soliciting customers outside of the Territory and from alternative methods of distribution as more fully specified herein. The Territory cannot overlap or interfere with existing trade areas, designated territories or development areas granted to other franchisees or multi-unit operators. Franchisor reserves the right to provide a two (2)-mile buffer between Territories to prevent any overlapping of areas. Franchisor reserves the right to adjust the boundaries of the Territory at any time if it believes it conflicts with another Territory. Franchisee will be selling its products and services from a single location that will be determined by Franchisee with Franchisor’s prior written approval, which may be withheld or denied in Franchisor’s sole discretion. Franchisee is prohibited from selling and soliciting customers through alternative distribution channels as more fully specified herein. Franchisee understands and acknowledges that if its Franchised Business is located in a gas station or convenience store; transportation facility, including airport, train station, subway or rail or bus station; military base or government office; sports facility, including stadium or arena; amusement park, zoo or convention center; car or truck rest stop or travel center; educational facility; recreational theme park; hospital; business or industrial foodservice venue; venue in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservation; casino; or any similar captive market location (“Non-Traditional Site”), Franchisee will not receive a Territory. Furthermore, Franchisee understands and acknowledges that if any Non-Traditional Site (as described above) is located within the physical boundaries of its Territory, then the premises of this Non-Traditional Site will not be included in the Territory and Franchisee will have no rights to this Non-Traditional Site.

3.2 Reservation of Rights. Franchisee understands and agrees that all rights to any businesses, other than as specified in this Agreement, are fully reserved to Franchisor within or outside of the Territory. By way of example only, Franchisor reserves the rights to offer (i) other products or services not offered under the Marks, (ii) other food and beverage concepts under the Marks or other trademarks,

and (iii) products or services through any channel in the Territory other than a dedicated Cilantro Taco Grill outlet, such as distribution through retail outlets, including but not limited to, grocery stores; ghost kitchens; co-branding within other food outlets; in captive market locations, such as airports and malls; and the Internet (“Alternate Distribution Channels”). Franchisee will receive no compensation for Franchisor’s sales through Alternate Distribution Channels made within the Territory. Franchisee agrees that such implementation of Franchisor’s rights pursuant to this Section 3.2 is deemed not to impair or injure Franchisee’s rights pursuant to Section 2 hereof. Co-branding may involve changes to the Marks and may require Franchisee to make modifications to the premises and the furniture, fixtures, equipment, signs and trade dress of the Franchised Business. If Franchisee receives written notice that Franchisor is instituting a cobranding program, Franchisee shall promptly implement the program at the Franchised Business at the earliest commercially reasonable time and execute any and all instruments required to do so.

#### **4. TERM.**

Unless terminated earlier in accordance with the terms set forth in this Agreement, this Agreement and the franchise granted hereunder shall commence upon the Effective Date set forth above and terminate on the date that is ten (10) years following the Opening Date, as defined in Section 8 hereof (the “Term”).

#### **5. SUCCESSOR OPTIONS.**

Subject to the terms and conditions of this Agreement, Franchisee shall have the right, following the expiration of the Term hereof, to enter into a new franchise agreement and other agreements then customarily employed by Franchisor and in the form then generally being offered to prospective franchisees in the state in which the Restaurant is located (the “Successor Franchise Agreement”) for one (1) additional ten (10) year term. The term of such Successor Franchise Agreement shall commence upon the date of expiration of the immediately preceding term. Franchisee shall be charged a successor agreement fee equal to Five Thousand Dollars (\$5,000) (“Successor Agreement Fee”). In the event Franchisee is not in full compliance with Section 5.2 below at the time Franchisee notifies Franchisor of Franchisee’s desire to enter into a successor agreement, it shall be in Franchisor’s sole and absolute discretion whether to permit the successor agreement.

5.1 Form and Manner of Successor Franchise Agreement. If Franchisee desires to exercise Franchisee’s option to enter into a Successor Franchise Agreement, it shall be done in the following manner:

- 5.1.1 Not less than six (6) months or more than nine (9) months prior to the expiration of the Term of this Agreement, Franchisee shall request from Franchisor in writing, a copy of Franchisor’s then current Disclosure Document (including Franchisor’s then current franchise agreement).
- 5.1.2 Franchisee must execute and return to Franchisor all required documents, including any and all ancillary documents, within thirty (30) days after receipt by Franchisee of a copy of Franchisor’s then current Disclosure Document.
- 5.1.3 The Successor Franchise Agreement shall supersede this Agreement in all respects, and Franchisee understands and acknowledges that the terms of such new agreement may

differ from the terms of this Agreement, including, without limitation, higher or lower royalty and other fees.

5.1.4 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to this Paragraph 5 in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise Franchisee's option to enter into the Successor Franchise Agreement, and such failure shall cause Franchisee's right and option to automatically lapse and expire, without further notice by Franchisor.

5.1.5 Franchisee acknowledges that the initial Term of this Agreement provides Franchisee more than a sufficient opportunity to recoup Franchisee's investment in the Franchise, as well as a reasonable return on such investment.

5.2 Conditions of Successor Franchise Agreement. Franchisee's right to enter into a Successor Franchise Agreement is conditioned upon the following:

5.2.1 Franchisee shall be in full compliance with this Agreement and shall have materially performed Franchisee's obligations under this Agreement, the Manual and under all other agreements that may be in effect between Franchisee and Franchisor, including but not limited to all monetary obligations.

5.2.2 Franchisee shall not have committed three (3) or more events constituting default during the Term of this Agreement, nor any monetary default during the preceding twelve (12) months, whether or not such defaults were cured.

5.2.3 Franchisee will have completed any required additional training to Franchisor's reasonable satisfaction.

5.2.4 Franchisee shall have obtained the right to continue to occupy the premises of the Franchised Business following the expiration of the Term hereof for the full term of the Successor Franchise Agreement and/or have received Franchisor's approval regarding locating the Franchised Business at a new location.

5.2.5 Franchisee shall execute a general release of all claims Franchisee may have against CTG Franchise LLC, its parent, subsidiaries and affiliates, its officers, directors, shareholders, agents, and employees, whether in their corporate and/or individual capacities, in the form attached hereto as Attachment 3. This release will include all claims arising under any federal, state, or local law, rule, or ordinance.

5.2.6 Franchisee performs such remodeling, repairs, replacements and redecoration as Franchisor may require in order to cause the Franchised Business premises, equipment, fixtures, furnishings and furniture to conform to the plans and specifications being used for new or remodeled franchised businesses on the renewal date.

5.2.7 Franchisee shall pay the required Successor Agreement Fee and sign the Successor Franchise Agreement.

- 5.3 Notice Required by Law. If applicable law requires Franchisor to give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the notice required by such applicable law. If Franchisor is not offering new Cilantro Taco Grill franchises, is in the process of revising, amending or renewing Franchisor's form of franchise agreement or disclosure document, or Franchisor is not lawfully able to offer Franchisee the then-current form of Successor Franchise Agreement at the time Franchisee advises Franchisor pursuant to Paragraph 5.1 hereof that Franchisee desires to renew, Franchisor may, in Franchisor's sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate successor term or (ii) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer the then current form of Successor Franchise Agreement. Any timeframes specified in this Paragraph 5 shall be inclusive of any state mandated notice periods.
- 5.4 Additional Reservation of Rights. Notwithstanding anything herein to the contrary, Franchisor reserves the right not to enter into a successor franchise agreement for this Franchise as a result of a decision to withdraw from a marketing area or the Territory in which Franchisee's Franchised Business is located.

## 6. FEES.

- 6.1 Initial Franchise and Royalty Fee. As part of the consideration for the right to operate the Franchise granted herein, Franchisee shall pay to Franchisor the following fees:
- 6.1.1 Initial Franchise Fee. Franchisee acknowledges and agrees that the grant of this Franchise and the rights and obligations of the parties under this Agreement constitute the sole and only consideration for the initial franchise fee of Thirty-Five Thousand Dollars (\$35,000.00) (the "Initial Fee"). **The Initial Fee is fully earned at the time this Franchise Agreement is signed and is not refundable under any circumstances.** Franchisee shall pay the full amount of the Initial Fee to Franchisor upon Franchisee's execution of this Agreement. In the event this Agreement is for a restaurant being developed pursuant to a multi-unit operator agreement, then the Initial Franchise Fee shall be reduced by any amount applied by Franchisor from the development fee paid by Franchisee pursuant to the terms of such multi-unit operator agreement. Any remaining portion of the Initial Franchise Fee due shall be due and payable as provided for in the multi-unit operator agreement.
- 6.1.2 Royalty Fee. Franchisee agrees to pay Franchisor, weekly and throughout the Term, a royalty fee equal to six percent (6%) of the Gross Revenue, as hereinafter defined, realized from the Franchised Business and from any other revenues received using Franchisor's methods, operations and/or trade secrets (the "Royalty Fee"). The term "Gross Revenue" includes all revenues and income from any source derived or received by Franchisee from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited to, any and all other revenues received using Franchisor's methods, operations and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise. Gross Revenue shall include the full amount payable by your customers, without deduction for your delivery costs, third party

delivery fees or for other write-offs; however, Gross Revenue shall not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e., coupons) or (iv) properly documented employee discounts (limited to 3% of Gross Revenue). Gross Revenue does not include gift card purchases, at the time of purchase, but Gross Revenue does include the redemption amount of purchases made by gift card. If a state or local law in which the Franchised Business is located prohibits or restricts in any way Franchisor's ability to collect Royalty Fees or other amounts based on Gross Revenue derived from the sale of beer, wine, and other alcoholic beverages at the Franchised Business, then Franchisor shall increase the percentage rate for calculating Royalty Fees, and change the definition of Gross Revenue to exclude sales of beer, wine and other alcoholic beverages, in a manner such that the Royalty Fees to be paid by Franchisee shall be equal to such amounts as Franchisee would have been required to pay if sales from beer, wine, and other alcoholic beverages were included in Gross Revenue.

- 6.1.3 Gross Revenue Reports. Franchisee shall, on Monday of each week, furnish Franchisor with a report showing Franchisee's Gross Revenue at or from the Franchised Business and/or made pursuant to the rights granted hereunder during such preceding week ending on Sunday (the "Gross Revenue Report"). The Gross Revenue Report shall be in such form and shall contain such information as Franchisor may from time to time prescribe. Franchisor reserves the right to establish a point-of-sale system ("POS System") that Franchisor may require Franchisee to use in the operation of the Franchised Business. At Franchisor's option, Franchisee shall submit, or grant Franchisor access to, the Gross Revenue Report by an electronic transfer of data via the POS System at the times and interims then specified by Franchisor.
- 6.1.4 Method of Payment. Franchisee shall, together with the submission of the Gross Revenue Report, pay Franchisor the Royalty Fee and the Worldwide Creative Marketing Fee, as defined and more particularly described in Article 13, then due. At Franchisor's request, Franchisee must execute documents, including but not limited to, the Authorization attached as Attachment 4, that allow Franchisor to automatically take the Royalty Fee and Worldwide Creative Marketing Fee due as well as other sums due Franchisor, from business bank accounts via electronic funds transfers or Automated Clearing House ("ACH") payments. Franchisee's failure to allow electronic funds transfers or ACH payments on an ongoing basis is a material breach of this Agreement. If Franchisee fails to timely report Gross Revenue, then, in addition to a late fee and interest pursuant to Sections 6.2 and 6.3 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Royalty Fee payable. Franchisor shall reconcile amounts when Gross Revenues are reported. Franchisor reserves the right to modify the method and frequency of collection of the Royalty Fee and Worldwide Creative Marketing Fee upon forty-five (45) days' prior notice to Franchisee.
- 6.2 Late Fee. If the Royalty Fee, Worldwide Creative Marketing Fee, or any Gross Revenue Reports are not received by Franchisor as required by this Agreement, Franchisee shall pay to Franchisor, in addition to the overdue amount, a late fee of One Hundred Dollars (\$100.00) for each late submission. This late fee is reasonably related to Franchisor's costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee's failure to pay the Royalty Fee, the

Worldwide Creative Marketing Fee, and/or submit Gross Revenue Reports in accordance with the terms of this Agreement.

- 6.3 Interest. Any and all amounts that shall become due and owing from Franchisee to Franchisor under the terms hereof shall bear interest from the date due until paid at the rate of eighteen (18%) per annum or at the highest rate permitted by law, whichever is lower, but not less than One Hundred Dollars (\$100.00) per occurrence.
- 6.4 Internal System Fee. Franchisor reserves the right to impose an internal systems fee upon Franchisee, in an amount that Franchisor reasonably determines, for the development, adoption and/or use of new or improved internal systems technology for the benefit of the System and Franchised Business, including but not limited to, assigned phone numbers and email addresses required for use in the Franchised Business, a franchise portal, benchmarking platform or other operations or communications systems (“Internal Systems Fee”). In Franchisor’s sole discretion, Franchisor may (i) increase the amount of the internal systems fees or (ii) replace the technology with different technology, developed by Franchisor or a third party, and Franchisee shall pay the then-current fees for the replacement technology and for continuous access thereto. Franchisee shall pay the Internal Systems Fee in the manner and frequency as reasonably determined by Franchisor.
- 6.5 Non-Sufficient Funds Fee. In the event any of Franchisee’s checks are returned, or an electronic funds transfer from Franchisee’s bank account is denied, for insufficient funds, Franchisee shall pay Franchisor, in addition to the amount due, a non-sufficient funds fee of Two Hundred Fifty Dollars (\$250.00) per occurrence. This non-sufficient funds fee is reasonably related to Franchisor’s costs resulting from the delayed and declined payment, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement.
- 6.6 Taxes. If any sales, excise, use or privilege tax is imposed or levied by any government or governmental agency on Franchisor for any Royalty Fee, Worldwide Creative Marketing Fee or other fees due and payable to Franchisor under this Agreement, Franchisee shall pay Franchisor a sum equal to the amount of such tax.

## 7. TRAINING.

- 7.1 HQ Initial Training Program. Not later than sixty (60) days prior to the Opening Date, Franchisee (if the franchisee is an individual) or all Principals (if the franchisee is a business entity), General Manager and two (2) Managers that meet Franchisor’s qualifications must have attended and completed, to Franchisor’s reasonable satisfaction, the mandatory initial training program (“HQ Initial Training”). The attendance of three (3) trainees at Franchisor’s HQ Initial Training is included in the Initial Franchise Fee. Franchisee shall pay to Franchisor the then-current per-person training fee for the fourth (4<sup>th</sup>) and each additional trainee that attends the HQ Initial Training program. Additionally, Franchisee shall be responsible for any and all expenses incurred by Franchisee and its Restaurant personnel in connection with the HQ Initial, including, without limitation, costs of travel, lodging, meals and applicable wages. Franchisee shall not be eligible to schedule the HQ Initial Training program until Franchisee evidences that: (a) the bank account for ACH payments due hereunder is active and any steps Franchisee is responsible for to set up payments are completed; (b) all of the grand opening advertising campaign vendors and suppliers have been pre-paid; and (c) Franchisee has received Franchisor’s approval of the grand



opening advertising campaign for the Franchised Business, or in the event that Franchisor elects to conduct the grand opening advertising campaign on Franchisee's behalf, Franchisee has submitted to Franchisor the fee to conduct the grand opening advertising on Franchisee's behalf. The HQ Initial Training program consists of a course conducted in Chicago, Illinois and/or Franchisor's headquarters or an affiliate-owned or franchised outlet. Franchisor reserves the right to designate an alternate location for the any component of the HQ Initial Training. Franchisee must at all times during the term of this Agreement have principals who have successfully completed the HQ Initial Training to Franchisor's sole and complete satisfaction.

7.2 Satisfactory Completion. Each trainee shall request Franchisor's approval to graduate from the HQ Initial Training program and Franchisor shall determine, in its reasonable discretion, whether each trainee has satisfactorily completed the HQ Initial Training program. If the HQ Initial Training program is (a) not completed within the timeframe required by Franchisor, (b) not satisfactorily completed by the Designated Controlling Principal, General Manager or Managers, or (c) if Franchisor in its reasonable business judgment, based upon the performance of the Designated Controlling Principal, General Manager and Managers, determine that the HQ Initial Training program cannot be satisfactorily completed by any such person, Franchisee shall designate a replacement to satisfactorily complete such training. The replacement Designated Controlling Principal, General Manager or Manager(s) must satisfactorily complete the training before Franchisee will be permitted to receive Pre-Opening Assistance and Training (if applicable) and be permitted to open the Restaurant. If a new or replacement trainee does not complete the HQ Initial Training program to Franchisor's satisfaction, the training fee will be applied to another trainee Franchisee sends to Franchisor. If Franchisee wishes to send additional employees to Franchisor's HQ Initial Training program, whether before the Franchised Business opens or while the Franchised Business is operating, Franchisee shall pay the then-current training fee for each additional trainee. Franchisee shall pay the then-current training fee for each additional trainee. Any Designated Controlling Principal, General Manager or Manager subsequently designated by Franchisee shall also receive and complete such HQ Initial Training. Franchisee shall be responsible for any and all expenses incurred by Franchisee, its General Manager, Managers and other Restaurant personnel in connection with any HQ Initial Training program, including, without limitation, costs of travel, lodging, meals and wages. Franchisee acknowledges and agrees that it will submit to Franchisor a completed HQ Initial Training Acknowledgment form (Attachment 13) for each trainee to request to graduate from the HQ Initial Training program. Franchisee will represent and warrant that Franchisor has satisfactorily completed all of its obligations pursuant to this Article 7, including but not limited to the following: providing the HQ Initial Training program, and confirmation that Franchisee has been trained to the point that Franchisee is completely satisfied that it and its employees are fully capable of opening and operating the Restaurant. By acknowledging this, Franchisee individually, and on behalf of its heirs, legal representatives, successors and assigns, hereby forever releases and discharges Franchisor and its officers, directors, employees, agents and servants, including its subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this acknowledgment.

7.3 Indemnification. Franchisee further agrees to indemnify and hold harmless Franchisor and to pay or reimburse Franchisor, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) incurred by Franchisor in connection with any claims brought by Franchisee or on its behalf against Franchisor based on any alleged failure to provide adequate

training or to provide any other services performed by Franchisor, including reasonable attorneys' fees incurred by Franchisor in defending against any such claims.

- 7.4 Release. Franchisee, individually, and on behalf of its heirs, legal representatives, successors and assigns, hereby forever releases and discharges Franchisor and its officers, directors, employees, agents and servants, including its subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to submission to complete training, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities, or antitrust laws of the United States, or of any state or territory thereof.
- 7.5 On-Site Assistance. Around the Opening Date of the Franchised Business, Franchisor shall provide Franchisee with opening assistance by a trained representative of Franchisor. The trainer will provide on-site opening training, supervision, and assistance to Franchisee for up to ten (10) days, in accordance with Section 10.9 ("Pre-Opening Assistance and Training"). If this unit is being developed per a multi-unit operator agreement, this Pre-Opening Assistance and Training is only offered for the first (1<sup>st</sup>) Franchised Business to be developed thereunder.
- 7.6 Additional Training. Franchisor may offer mandatory and/or optional additional training programs from time to time. If required by Franchisor, Franchisee, or Franchisee's principals shall participate in the following additional training:
- (i) on-going training for up to five (5) days per year, at a location designated by Franchisor.
  - (ii) a national business meeting or annual convention for up to five (5) days per year, at a location designated by Franchisor.

Franchisor reserves the right to impose a reasonable fee for all additional training programs. Franchisee shall be responsible for any and all incidental expenses incurred by Franchisee or Franchisee's personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages. Franchisee's failure to attend and/or complete mandatory additional training or failure to attend Franchisor's national business meeting or annual convention is a default of this Agreement. Franchisee or Franchisee's principal(s) shall be required to obtain any missed mandatory additional training at a location Franchisor designates. Franchisee shall pay all costs and expenses for such additional training, including but not limited to, tuition at the then-current rate and any and all transportation, meals and lodging of Franchisee, Franchisee's principal and Franchisor's training personnel. Franchisee shall pay to Franchisor any incurred expenses by Franchisor's training personnel within ten (10) days of Franchisor's billing thereof to Franchisee.

It is Franchisee's responsibility to maintain at least of one (1) General Manager and two (2) Managers who retain current System Certifications with Franchisor. Franchisor certifies management based on, but not limited to, their individual ability to perform certain tasks and their ability to cross train their staff in these tasks. Franchisor's requirements to certify management staff shall be applied System-wide. Franchisor reserves the right to modify its

certification requirements at any time and at its own discretion. Franchisor's requirements for these certifications will be in the Manuals.

In addition to Franchisor's System Certification requirements, Franchisor requires the General Manager, Managers and additional employees it designates to maintain "Industry Certifications" from: (i) a Franchisor-approved food safety and handling program (ServSafe or a similar program) and (ii) a Franchisor-approved alcohol training program (TIPS or similar program) if the Restaurant will offer and serve alcohol. These certification programs will be at Franchisee's sole expense, including program fees, travel, lodging, meals and applicable wages. Recertification may be necessary based on the specific requirements of each industry certification program. Franchisor reserves the right to modify the certification requirements at any time and at its own discretion. Franchisor's requirements for these certifications will be in the Manuals.

- 7.7 On-Site Remedial Training. Upon Franchisee's reasonable request or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's personnel at the Franchised Business location. For any additional on-site training and assistance, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.
- 7.8 Counseling and Assistance. In addition to visits by Franchisor's field representatives, as Franchisor deems appropriate, Franchisor shall, within reasonable limits and subject to the availability of Franchisor's personnel, upon Franchisee's request and at no charge, unless such assistance is provided at the Franchised Business pursuant to Section 7.5, furnish consultation and assistance to Franchisee, either in person or by telephone, electronic mail or video conferencing, as determined by Franchisor, in Franchisor's sole discretion, with respect to the operation of the Franchised Business, including consultation and advice regarding employee training, marketing, operation issues, purchasing and inventory control, bookkeeping and System improvements.

## **8. FRANCHISED LOCATION REQUIREMENTS.**

### **8.1 Site Selection.**

- 8.1.1 Franchisee assumes all cost, liability, expense and responsibility for obtaining and developing a site for the Franchised Business within the Territory and for constructing and equipping the Franchised Business at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Franchised Business unless the site location is accepted by Franchisor. While Franchisor may render assistance to Franchisee in the selection of a site, as set forth in Section 8.1.2 below, Franchisee has sole responsibility for procuring and developing a site for the Franchised Business and Franchisee may and is encouraged to consult with professionals of Franchisee's choosing in discharging such responsibility. Franchisee acknowledges that Franchisor's acceptance of a prospective site location is permission only, only (the "Accepted Location"), does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Franchised Business operated at that site will be profitable or otherwise successful, and cannot, and does not, create a liability

for Franchisor. Franchisee further acknowledges and agrees that the selected site for the Franchised Business is based on its own independent investigation of the suitability of the site. It is Franchisee's responsibility to perform market and prospective site analysis. Traffic, demographics and/or other factors included in or excluded from the site and market testing criteria could change, altering the potential of a site. The uncertainty and instability of these criteria are beyond Franchisor's control, and Franchisor is not responsible if the site fails to meet Franchisee's expectations. Franchisee further agrees to indemnify and hold Franchisor harmless, pay or reimburse Franchisor, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) it may incur in connection with any claims brought by Franchisee against Franchisor based upon the foregoing or by other services Franchisor performed, including reasonable attorneys' fees incurred by Franchisor in defending against any such claims.

- 8.1.2 Franchisee shall locate a site that satisfies the site selection guidelines provided to Franchisee by Franchisor and shall submit to Franchisor, in writing, a description of the site, together with written certification the site complies with Franchisor's site selection guidelines, and such other information and materials as Franchisor may reasonably require ("Site Selection Request"). Recognizing that time is of the essence, Franchisee shall submit such information and materials for a proposed site to Franchisor for its acceptance no later than sixty (60) days after the execution of this Agreement. Franchisor shall have thirty (30) days after receipt of the information and materials to accept, in its sole and absolute discretion, the proposed site as the location for the Franchised Business. If Franchisor fails to respond to Franchisee's submission within thirty (30) days, such proposed site shall be deemed "not accepted". No site may be used for the location of the Franchised Business unless it is accepted in writing by Franchisor. If Franchisee is unable to locate a site for the Franchised Business within sixty (60) days after the Effective Date, Franchisor has the right to terminate this Agreement or it may provide Franchisee with an extension of this timeframe.
- 8.1.3 Within thirty (30) days after Franchisor has accepted the site for the Franchised Business (or such longer period as Franchisor consents to in writing), Franchisee shall execute a lease therefor and obtain physical possession of the premises. Any lease must include Franchisor's Conditional Assignment of Lease Agreement, a copy of which is attached hereto as Attachment 5. Failure by Franchisee to acquire the site for the Franchised Business within the time and in the manner required herein shall constitute a material event of default under this Agreement.
- 8.1.4 Upon consent by Franchisor to the location for the Franchised Business, the specific street address of the location (the "Accepted Location") and Territory shall be incorporated herein by an addendum containing a revised Attachment A duly signed by the parties of this agreement.
- 8.1.5 Franchisee agrees and acknowledges that upon executing this Agreement, Franchisor has not provided any financial information relative to the performance of any prospective or existing Cilantro Taco Grill Restaurants, except as may have been stated in Item 19 of the Franchise Disclosure Document provided. Upon signing this Agreement, should Franchisee desire such financial information, Franchisee will make its request at least ninety (90) days after the Effective Date by submitting to Franchisor a Request for

Financial Information (Attachment 10). Franchisee agrees that the financial information Franchisor may provide to Franchisee is in no way a projection or promise, and that Franchisee shall use the data only as informational. Franchisee acknowledges that any financial information Franchisor may share with Franchisee pursuant to this request is not and will not be considered a representation or warranty of performance for its Restaurant and any financial information Franchisor may share with Franchisee pursuant to this request shall be deemed to be a permissible disclosure since Franchisee has entered into this Agreement prior to any such disclosure, and Franchisee agrees to a full release and holds harmless Franchisor and its agents and representatives and Franchisee agrees that it shall not seek any legal action whatsoever based upon any financial information it receives from Franchisor pursuant to this request.

## 8.2 Construction.

8.2.1 Franchisee shall be responsible for obtaining clearances that may be required by state or local laws, ordinances or regulations or that may be necessary as a result of any restrictive covenants relating to the Franchised Business premises. Prior to beginning the construction of the Franchised Business, Franchisee shall (a) obtain Franchisor's approval of Franchisee's architect and contractor, which approval shall not be unreasonably withheld, (b) adapt Franchisor's prototypical construction plans and specifications, provided to Franchisee, for the construction of the Franchised Business premises and submit such adapted plans and specifications to Franchisor for approval, (c) obtain all permits, licenses, insurance and certifications required for the lawful construction or remodeling and operation of the Franchised Business, including, but not limited to, permits for the installation of signage, and (d) certify in writing to Franchisor that all required approvals, clearances, permits, insurance and certifications have been obtained.

8.2.2 Franchisee shall obtain architectural, engineering and design services for the construction of the Restaurant from a licensed architect and general contractor at its own expense. The architect and general contractor shall meet Franchisor's approval. Franchisee shall have the prototypical plans and specifications for the building and furnishing for a standard Restaurant, which Franchisor provided to Franchisee in accordance with Section 10.2, adapted as necessary by the architect and general contractor for the construction of the selected site. Such plans shall comply with all applicable laws, rules, regulations, ordinances and building codes including any relating to accommodations for disabled persons (the Americans with Disabilities Act), for the city and state in which the Restaurant will be located. Prior to their use, Franchisee shall submit such adapted plans, specifications and blueprints to Franchisor for its review. If Franchisor determines, in its reasonable discretion, that any such plans, specifications and blueprints are not consistent with the best interests of the System, Franchisor may prohibit the implementation of such plans, specifications and blueprints, and in this event will notify Franchisee of any objection(s) within fourteen (14) business days of receiving such plans, specifications and blueprints. If Franchisor fails to notify Franchisee of an objection to the plans, specifications and blueprints within this time period, Franchisee may use such plans, specifications and blueprints. If Franchisor objects to any such plans, specifications and blueprints, Franchisor shall provide Franchisee with a reasonably detailed list of changes necessary to make the plans, specifications and blueprints acceptable. Franchisor shall, upon Franchisee's re-submission of the plans, specifications and blueprints with such

changes, notify Franchisee within fourteen (14) business days of receiving the resubmitted plans, specifications and blueprints whether the plans, specifications and blueprints are acceptable. If Franchisor fails to notify Franchisee in writing of any objection within such time period, Franchisee may use the resubmitted plans. Franchisee acknowledges that Franchisor's review of such plans, specifications and blueprints relates only to compliance with the System, specifications, prototype plans and presentation of the Marks, and that acceptance by Franchisor of such plans, specifications and blueprints does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor that such plans, specifications and blueprints are accurate or free of error concerning their design or structural application, or that such plans comply with any laws, rules, regulations, ordinances and building codes applicable to the Accepted Location.

8.2.3 During the time of construction or remodeling, Franchisee shall provide Franchisor, or its designated representative, with such periodic reports regarding the progress in obtaining all licenses and permits; and of the construction or remodeling as may be reasonably requested by Franchisor or its representative. In addition, Franchisor or its representative may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. At least thirty (30) days prior to completion of the construction or remodeling, Franchisee shall notify Franchisor of the scheduled date for completion of construction or remodeling. Within a reasonable time after the date of completion of construction or remodeling, Franchisor or its representative may, at its option, conduct an inspection of the completed Franchised Business.

8.2.4 Franchisee acknowledges and agrees that it will not open the Franchised Business for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement.

8.3 Time to Open. Franchisee acknowledges that time is of the essence in this Agreement. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Franchised Business and commence business within twelve (12) months of the Effective Date, unless Franchisee obtains a written extension of such time period from Franchisor. However, if this unit is developed pursuant to a multi-unit operator agreement, then the Franchised Business must be open and in operation by the date provided in the mandatory development schedule. The date the Franchised Business opens for business to the public shall be defined herein as the "Opening Date". Thirty (30) days prior to the scheduled Opening Date, Franchisee shall send to Franchisor a written request to open the Restaurant for business. Franchisee acknowledges that it is not permitted to open the Restaurant for operation without Franchisor's prior written authorization and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement and Franchisor's, or its designee's, satisfactory inspection of the Restaurant. Prior to the Opening Date, Franchisee shall (i) complete all exterior and interior preparations for the Franchised Business, including installation and cleaning of equipment, fixtures, furnishings, décor and signs, in accordance with System requirements and the plans and specifications consented to by Franchisor, (ii) satisfactorily complete Franchisor's HQ Initial Training program, as further set forth in Article 7, (iii) hire and train staff, (iv) obtain all required licenses to operate the Franchised Business and (v) obtain all required insurance and provide Franchisor with certificates therefor. If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from opening for business. Franchisee's failure to open the Franchised Business and commence business (i) in accordance with the

foregoing and (ii) within twelve (12) months following the Effective Date of this Agreement, as may be extended by Franchisor in Franchisor's sole discretion, shall be deemed a material event of default under this Agreement. Notwithstanding the foregoing, if Franchisee fails to open the Franchised Business within the timeframe required herein, subject to force majeure, Franchisee agrees to pay to Franchisor a non-refundable delayed opening fee in the amount of One Hundred Dollars (\$100) per day for each day that the Opening Date is delayed, up to a maximum of ninety (90) days ("Delayed Opening Fee"). Franchisee understands and acknowledges that such fee shall be in addition to Franchisor's other rights and remedies hereunder or at law. If the Franchised Business is not open and operating within this additional timeframe, Franchisor shall have the right, exercisable in its sole discretion, to terminate this Agreement without providing Franchisee with a refund or to permit Franchisee to continue paying the Delayed Opening Fee described herein until the Franchised Business opens.

- 8.4 No Relocation. Franchisee's right to operate the Franchised Business shall be limited to the Territory set forth in Attachment 2, and no other. Franchisee shall not relocate the premises of the Franchised Business at any time without Franchisor's written approval, which approval shall be granted only in the sole and complete discretion of Franchisor, and, if permitted, shall be at Franchisee's sole expense. In the event such permission is granted, (i) Franchisee shall pay a relocation fee equal to One Thousand Five Hundred Dollars (\$1,500.00) plus actual costs and expenses, (ii) Franchisee shall secure and outfit the replacement premises in accordance with Section 8.1 within one hundred twenty (120) days of Franchisor's consent, (iii) if feasible, Franchisee shall continue to operate at the original premises during the construction of the replacement premises, (iv) upon relocation, Franchisee shall remove any signs or other property from the original Franchised Business premises which identified the original Franchised Business premises as part of the System, and (iv) Franchisor shall issue a revised Attachment 2, in accordance with Section 8.1.4, to reflect the address of the new Franchised Business location. Failure to comply with the foregoing requirements shall be a default of this Agreement.

## **9. MAINTENANCE AND IMPROVEMENT OF THE FRANCHISED LOCATION AND SYSTEM.**

- 9.1 Maintenance of Franchised Business Location. Franchisee shall equip and maintain the Franchised Business location to the standards of décor, sanitation, repair and condition required by Franchisor, which standards are specified in the Manual and other written directives, standards and specifications. Franchisee, at Franchisee's expense, shall make such additions, alterations, repairs, refurbishing and replacements as may be required to comply with Franchisor's standards, including, without limitation, periodic repainting and repairs or replacement of worn or impaired décor, materials, furniture, fixtures, equipment, and signage as Franchisor may direct. Franchisor reserves the right to require Franchisee to utilize temporary signage on each motor vehicle used to provide any delivery or catering services permitted by Franchisor, if applicable. Any motor vehicle used in connection with the Franchised Business shall be kept clean, in good working order and properly registered and insured. Franchisee shall require each motor vehicle operator to comply with all laws, regulations and rules of the road, including complying with all hands-free and no-texting laws, and to use due care and caution operating and maintaining the motor vehicles.
- 9.2 Inspections. Franchisee shall operate and maintain the Franchised Business and Franchised Business location in conformance with best practices for food and beverage storage, handling, preparation, service and disposal and in a manner that will ensure the highest rating possible for

businesses of like kind from the governmental authorities that may inspect such businesses in the Territory. Franchisee shall submit to Franchisor a copy of any inspection reports. It shall be a default of this Agreement if, upon inspection, Franchisee does not obtain such rating or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by the System, and Franchisor may, at its option, terminate this Agreement.

9.3 Equipment and Technology Updates. Franchisee shall make any and all upgrades to equipment, including but not limited to, design, display and storage equipment, POS Systems, and computer hardware, software and peripherals, and any technology used in conjunction therewith, as Franchisor requires in its sole and absolute discretion.

9.4 Trade Dress Modifications.

9.4.1 Franchisee is aware that to maintain and improve the image and reputation of the System, Franchisor, in its sole and absolute discretion, may change and modify identifying elements of the System, including but not limited to, the adoption and use of new exterior building designs, new interior decors, new color schemes, new or modified marks, and new furnishings (collectively, “Trade Dress Modifications”).

9.4.2 No more than once in a five (5)-year period, at Franchisor’s request, Franchisee shall refurbish the Franchised Business location at Franchisee’s sole expense, as required by Franchisor, to conform to Trade Dress Modifications. This includes, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements. Notwithstanding the foregoing restriction on the frequency of Trade Dress Modifications, if the Franchised Business is transferred pursuant to Article 16, Franchisor may require that the transferee remodel and/or redecorate the Franchised Business location as described herein. Notwithstanding anything to the contrary contained herein, Franchisee, upon notice by Franchisor and in accordance with Section 14.6 hereof, shall immediately discontinue the use of any Mark that is no longer desirable or available to Franchisor and substitute a different Mark or Marks as Franchisor directs.

9.4.3 Franchisee will accept, use and display any such Trade Dress Modifications as if they were a part of this Franchise Agreement at the time of execution hereof.

9.5 No Liability/Waiver of Claims. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications, including Trade Dress Modifications, required by this Article 9. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party, complaining of any such or seeking expenses, losses or damages caused thereby. Further, Franchisee expressly waives any claims, demands or damages arising from or related to the modifications contemplated by this Article 9, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

9.6 Franchisee Advisory Council. Franchisor reserves the right to create (and if created, the right to change or dissolve) a franchisee advisory council as a formal means for System franchisees to communicate ideas. In the event a franchisee advisory council is created, Franchisor may invite



Franchisee to participate in council-related activities and meetings, which invitation may be based on a franchisee's level of success, superior performance and profitability.

**10. FRANCHISOR'S OBLIGATIONS.** Franchisor and/or its designated representative will provide the services described below:

- 10.1 Site Selection Guidelines. Site selection criteria, as Franchisor may deem advisable. Franchisor will provide Franchisee with written materials on how to analyze potential sites and markets. Franchisor shall also accept the site in accordance with Section 8.1.2. If Franchisee requests that Franchisor conduct an on-site location evaluation of any proposed site(s) for the Franchised Business, Franchisee shall pay to Franchisor its then-current non-refundable per diem fee, plus the cost of Franchisor's representative's travel, lodging and meals. Franchisor shall not be required to conduct such evaluation until it receives the Site Selection Request concerning such site prepared pursuant to Article 2, together with other information and materials that Franchisor may reasonably request, including a letter of intent or other evidence that confirms Franchisee's favorable prospects for obtaining the site.
- 10.2 Construction. Provide to Franchisee criteria and specifications for a Cilantro Taco Grill outlet. Such criteria and specifications include, but are not necessarily limited to, criteria with respect to required food storage and preparation, waste removal and ventilation systems. Franchisee shall independently, and at Franchisee's expense, have such criteria and specifications incorporated into the construction of the Franchised Business in accordance with Article 8.
- 10.3 Manual. Provide Franchisee access to the Confidential Operations Manual and such other manuals and written materials as Franchisor may hereafter develop for use by franchisees, as the same may be revised by Franchisor from time to time. Such documents may be provided electronically or via the Internet, at Franchisor's sole and absolute discretion.
- 10.4 Inspection. Inspection of the Franchised Business and evaluations of the products sold and services rendered therein whenever reasonably determined by Franchisor.
- 10.5 Pre-Opening Requirements. Provide a written list of equipment, fixtures, furnishings, signage, supplies and products that will be required and/or recommended to open the Restaurant for business.
- 10.6 Advertising Materials. Provide samples or digital artwork of certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Franchised Business.
- 10.7 List of Suppliers. Make available from time to time, and amend as deemed appropriate by Franchisor, a list of approved and/or recommended suppliers of products and services for System franchisees.
- 10.8 Training. The training programs specified in Article 7 herein.
- 10.9 On-Site Assistance. On-site post-opening assistance at the Franchised Business location in accordance with the provisions of Article 7. Franchisor shall provide Franchisee with one (1) of its representatives for a period of up to ten (10) days around the Opening Date ("Pre-Opening

Assistance and Training”). If Franchisee wishes to extend the ten (10)-day training Franchisor provides, then based upon representative availability, Franchisor will provide Franchisee with this service, and Franchisee shall pay to Franchisor the per diem fee then being charged to franchisees under the System for the services of such trained representative, plus the costs of travel, lodging, and meals. If this is not Franchisee’s first Cilantro Taco Grill outlet, Franchisor reserves the right not to provide Pre-Opening Assistance and Training to Franchisee. If Franchisor does comply with Franchisee’s request to provide this assistance and training, then Franchisee shall pay to Franchisor its then-current per diem Pre-Opening Assistance and Training Fee for each representative providing the training, as well as reimburse Franchisor for each representative’s travel, lodging and meals.

10.10 Worldwide Creative Marketing Fund. Administer a Worldwide Creative Marketing Fund in accordance with Section 13.3.

## **11. FRANCHISEE’S REPRESENTATIONS, WARRANTIES AND COVENANTS.**

11.1 Best Efforts. Franchisee, including each of Franchisee’s Principals covenants and agrees that he or she shall make all commercially reasonable efforts to operate the Franchised Business so as to achieve optimum sales.

11.2 Corporate Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and each Principal represent, warrant and covenant that:

11.2.1 Franchisee is duly organized and validly existing under the state law of its formation;

11.2.2 Franchisee is duly qualified and is authorized to do business in the jurisdiction of the Franchised Business location and the Territory;

11.2.3 Franchisee’s organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Franchise granted herein, unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor’s sole discretion;

11.2.4 The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee’s power and have been duly authorized by Franchisee;

11.2.5 Any financial statements and tax returns provided to Franchisor shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of the statements or returns, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities; and

11.3 Appointment of Manager.

- 11.3.1 Franchisee shall designate and retain at all times a minimum of one (1) general manager (“General Manager”) and two (2) managers (“Managers”) to direct the operation and management of the Franchised Business location. Franchisee shall designate its General Manager and Managers prior to attending the HQ Initial Training program. The General Manager and Managers shall be responsible for the daily operation of the Franchised Business location. A Principal may be the General Manager or a Manager, if that Principal has a minimum of three (3) years of restaurant management or restaurant ownership experience. However, the Designated Controlling Principal is not permitted to be the General Manager or a Manager. A Controlling Principal that holds ten percent (10%) or more of the total ownership interest in Franchisee shall be held responsible, by us, for the general oversight and management of the Restaurant on Franchisee’s behalf (named hereafter as the “Designated Controlling Principal”). The Designated Controlling Principal, and any replacement Designated Controlling Principal, must be approved by Franchisor and meet Franchisor’s qualifications. Franchisor requires the Designated Controlling Principal, and any replacement Designated Controlling Principals, to maintain the same level of restaurant management experience, training, System Certifications and Industry Certifications that are required of a General Manager. The Designated Controlling Principal shall sign Attachment 7 agreeing to undertake the above-referenced responsibilities upon execution of this Agreement. Any replacement Designated Controlling Principals must agree in writing to the above-referenced responsibilities within fourteen (14) days of accepting this responsibility.
- 11.3.2 The General Manager and Managers shall, during the entire period so designated, meet the following qualifications:
- 11.3.2.1 The General Manager or Manager shall meet Franchisor’s standards and criteria for such individual, as set forth in the Manual or otherwise in writing by Franchisor, and shall be an individual otherwise acceptable to Franchisor, in its sole discretion.
- 11.3.2.2 The General Manager or Manager shall devote his or her full time and best efforts to the supervision and management of the Franchised Business, and may not engage in any other competitive business activity without the Franchisor’s consent, which may be withheld, in Franchisor’s sole discretion.
- 11.3.2.3 The General Manager or Manager shall satisfy the training requirements set forth in Article 7.
- 11.3.2.4 Each General Manager or Manager shall be an individual acceptable to Franchisor;
- 11.3.3 If the General Manager or a Manager is not able to continue to serve in such capacity, or no longer qualifies to act as such in accordance with this Agreement, Franchisee shall promptly notify Franchisor and designate a replacement within sixty (60) days after the General Manager or a Manager ceases to serve, such replacement being subject to the same qualifications required by this Agreement. Franchisee’s replacement General Manager or Manager shall attend and satisfactorily complete the HQ Initial Training program, at Franchisee’s sole cost and expense, including the payment of the then-current tuition. Until such replacement is designated and trained, Franchisee shall provide interim management

of the Franchised Business, who shall act in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement. Franchisor, in Franchisor's sole discretion, may provide interim management support and charge Franchisee the then-current interim management support fee until such General Manager or Manager is properly trained or certified in accordance with Franchisor's requirements, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, and shall be withdrawn from Franchisee's designated bank account in accordance with Section 6.1.4.

11.3.4 Any failure to materially comply with the requirements of this Section 11.3 shall be deemed a material event of default under Article 17 hereof.

11.4 Legal Compliance. Franchisee shall comply with all federal, state and local laws, including the RICO Act (defined below), rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business. Such laws, rules and regulations shall include, without limitation, licenses to do business, health and sanitation inspections, if required, fictitious name registrations, sales and other tax permits, fire and police department clearances, Americans With Disability Act compliance, certificates of occupancy, any permits, certificates or licenses required by any environmental federal, state or local law, rule or regulation and any other requirement, rule, law or regulation of any federal, state or local jurisdiction. Franchisee shall further comply with all industry best practices with respect to the handling, storage, preparation, service and disposal of food and beverage products. The Racketeer Influenced and Corrupt Organizations Act, also known as the "RICO Act", under Section 901(a) of the Organized Crime Control Act, is any racketeering activity as defined in 18 U.S.C. § 1961, as amended, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to such racketeering activities. Any violation of the RICO laws by Franchisee or its Principals, or any blocking of Franchisee or its Principals' assets under the RICO laws, shall constitute good cause for immediate termination of this Agreement.

11.5 Claims and Potential Claims. Franchisee shall notify Franchisor in writing and via telephone within three (3) days of any incident or injury, including food related illnesses, environmental health or safety violations, and any claim exceeding Five Hundred Dollars (\$500.00), that could lead to, or the actual commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which in any way relating to or affecting the operation or financial condition of the Franchised Business. Any and all media inquiries concerning the Franchised Business or Franchised Business location, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, shall be referred to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment to any broadcast medium, except as directed by Franchisor.

11.6 Assignment of Numbers and Listings. At Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary to appoint Franchisor its true and lawful attorney-in-fact, with full power and authority, for the sole purpose of assigning to Franchisor, Franchisee's telephone numbers and listings; and provide Franchisor with passwords and administrator rights for all email, software, social media or other such accounts used or created by Franchisee in order to operate the Franchised Business. Upon the expiration or termination of

this Agreement, Franchisor may exercise its authority, pursuant to such documents, to obtain any and all of Franchisee's rights to the telephone numbers of the Franchised Business and all related telephone directory listings and other business listings, and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses, social media, or any other similar listing or usages related to the Franchised Business.

- 11.7 Access to Tax Filings. Upon execution of this Agreement, and at any time thereafter upon Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary, to appoint Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all tax returns and reports related to the Franchised Business filed by Franchisee with any state or federal taxing authority. Franchisee shall submit a copy of all tax filings sent to federal, state and local tax authorities to us within ten (10) business days after such filing has been made with the appropriate taxing authority.
- 11.8 Continuing Obligation. Franchisee and each Principal acknowledge and agree that the representations, warranties and covenants set forth in this Article 11 are continuing obligations of Franchisee and each Principal, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchisee and each Principal shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

## **12. FRANCHISEE'S OPERATIONS.**

- 12.1 Operation of Franchised Business Location. In order to maintain the highest degree of quality and service on a uniform System-wide basis, Franchisee shall operate the Franchised Business in conformity with the methods, standards and specifications prescribed by Franchisor. Franchisee agrees to comply with the Manual, as it is modified from time to time, and all directives, rules and procedures specified by Franchisor, and will, among other things:
- 12.1.1 Use only those furnishings, fixtures, décor, equipment, ingredients, recipes, supplies and signage that conform with Franchisor's specifications and/or which shall be purchased from only those vendors designated and approved by Franchisor;
- 12.1.2 Maintain and operate the Franchised Business location in attractive condition and good repair, using Franchisee's best efforts to maintain a clean, enjoyable and inviting atmosphere therein in accordance with System standards, the Manual and all other directives and requirements of Franchisor, and do such redecoration, repairing, refurbishing and restoration as from time to time may be reasonably required to meet System standards and Franchisor's requirements as they may be modified from time to time;
- 12.1.3 Procure the necessary licenses or permits to allow food and beverage preparation and service and otherwise comply with all applicable governmental laws, ordinances, rules and regulations including those related to health and sanitation;
- 12.1.4 Maintain sufficient inventories of ingredients, supplies and merchandise held for resale, as prescribed by Franchisor;

- 12.1.5 Conduct sales in accordance with Franchisor's standards and specifications. Franchisee acknowledges and accepts that Franchisee may only engage in providing food and beverage service to end-consumers. Franchisee is expressly prohibited from selling products outside of the Franchised Business location (excluding promotional and sales events in the Territory with Franchisor's prior approval), on the Internet, to dealers and/or distributors for subsequent re-sale, and engaging in such sales shall be a material default of this Agreement. Franchisee may not provide delivery and catering services to any customer outside of its Territory, unless that customer is in an area is not occupied by a Cilantro Taco Grill Restaurant. Unless prohibited by applicable law, the Restaurant may serve beer and wine after obtaining Franchisor's written consent, and Franchisee must maintain the appropriate permits and licenses in accordance therewith. It will be a default under this Agreement if Franchisee fails to maintain such licensing and continues to sell alcoholic beverages from the Restaurant. Franchisee shall notify Franchisor in writing prior to serving beer and wine and shall abide by the System standards. Franchisee is not permitted to offer specialty drinks, alcoholic mixed drinks, cocktails or similar drinks. Franchisee shall obtain, at a minimum, the additional insurance coverages Franchisor requires. Franchisee, management staff and the employees Franchisor designates must maintain the industry certifications related to the offer and sale of alcohol beverages Franchisor designates at its expense;
- 12.1.6 Employ only qualified individuals who are trained in accordance with Franchisor's standards, including but not limited to the protection of Franchisor's confidential and proprietary information, and who will at all times enhance Franchisor's brand and conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System. Franchisee shall use its best efforts to ensure that Franchisee's employees maintain a neat and clean appearance, in accordance with the dress code outlined in the Manual, and render competent and courteous service to patrons of the Franchised Business. Franchisee acknowledges and agrees that poorly trained employees, sloppy or unclean appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement;
- 12.1.7 Permit Franchisor or its agents, to inspect the Franchised Business location and any services, products or equipment, to determine whether they meet Franchisor's then-current standards, specifications and requirements. In addition to any other remedies Franchisor may have, Franchisee shall reimburse Franchisor for Franchisor's inspection costs of any item that does not conform to the System standards and specifications;
- 12.1.8 Prominently display signs in and upon the Franchised Business location using the Marks and/or other advertising and/or signs of such nature, form, color, number, location and size, and containing such material, as Franchisor may from time to time reasonably direct or approve in writing; and to not display in or upon the Franchised Business location or elsewhere any sign or advertising media or interior décor of any kind to which Franchisor reasonably objects, including signs, advertising media or interior décor which are outdated. Upon giving Franchisee notice of its objection to same or upon termination hereof, Franchisor may at any time enter upon the Franchised Business location or elsewhere and remove any objectionable or non-approved signs, advertising media or interior décor and

keep or destroy same without paying therefor or without being deemed guilty of trespass or any other tort;

12.1.9 Conduct all advertising programs in a manner consistent with Franchisor's standards and specifications, in a manner satisfactory to Franchisor and that will not detract from the reputation of the System or the Marks;

12.1.10 Accept and honor all loyalty cards, promotional coupons, or other System-wide offers, on a uniform basis, as accepted by other franchisees in the System. Franchisee agrees to sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, including applications, and only in the manner specified by Franchisor in the Manuals or otherwise in writing.

12.1.11 Participate in an online ordering program, whereby customers are able to submit food orders through an application or Internet. Franchisee agrees to pay any then-current fees to Franchisor or its approved suppliers for participation in the online ordering program.

12.1.12 With Franchisor's prior written authorization, Franchisee may offer catering and delivery services in the Territory after the Franchised Business has been in operation a minimum of three (3) months. Franchisor reserves the right to rescind their approval at their sole discretion, by written notification.

## 12.2 Bookkeeping and Reports.

12.2.1 Franchisee agrees to keep and maintain complete and accurate books and records of its transactions and business operations using the accounting procedures specified by Franchisor. Franchisee agrees to purchase the computer systems specified in Section 12.3 to maintain the records and accounts of the Franchisee to the standards of the Franchisor. Franchisee acknowledges and agrees that the financial performance of Franchisee's Franchised Business may be published in franchise disclosure document(s) issued by Franchisor following the Effective Date hereof, and may be shared with other franchisees in the System. .

12.2.2 Within fifteen (15) days after the close of each month and within ninety (90) days after the close of each fiscal year, Franchisee will furnish Franchisor a full and complete written statement of income and expense and a profit and loss statement for the operation of the Franchised Business during said period, together with a balance sheet for the Franchised Business, all of which shall be prepared in accordance with generally accepted accounting principles and practice. Franchisee's annual statements and balance sheets shall be prepared by an independent certified public accountant and certified to be correct.

12.2.3 The financial statements required hereunder shall be in such form and contain such information as Franchisor may from time to time reasonably designate.

12.2.4 Franchisor reserves the right to require Franchisee to engage the services of a third party accounting services firm, designated and approved by Franchisor, in the event that (i) Franchisee fails to keep books and records in accordance with Franchisor's standards or (ii)

Franchisor, in its sole discretion, determines that use of a third party accounting services firm by all System franchisees is beneficial to the System.

12.2.5 Franchisor shall have the right at all reasonable times to examine, at its expense, Franchisee's books, records, and tax returns. If Franchisor's examination finds that any Gross Revenue Report was understated by two percent (2%) or more, Franchisee shall reimburse Franchisor for the cost of such examination and pay the Franchisor the amounts due together with interest thereon at the rate provided herein. Such understatement may be considered a material default hereunder. Two (2) such understatements during the term of this Agreement may, at the option of Franchisor, be considered an incurable default and thereby subject to termination as provided herein.

### 12.3 Computer Systems.

12.3.1 Franchisee, at Franchisee's sole expense, shall install and maintain the POS System and computer software, hardware and peripherals Franchisor requires for the operation of the Franchised Business and shall follow the procedures related thereto that Franchisor specifies in the Manual or otherwise in writing.

12.3.2 Franchisor may require Franchisee, at Franchisee's sole expense, to install and maintain systems and web-based payment processing accounts that permit Franchisor to independently and electronically access and retrieve any information stored in Franchisee's POS System, other computer systems and web-based payment processing accounts, including, without limitation, information concerning Gross Revenue. Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor to independently and electronically access and retrieve all information stored on Franchisee's POS System, other computer systems and web-based payment processing accounts.

12.3.3 Any and all customer data collected or provided by Franchisee, retrieved from Franchisee's POS System, or otherwise collected from Franchisee by Franchisor or provided to Franchisor, is and will be owned exclusively by Franchisor and will be considered to be Franchisor's proprietary and Confidential Information. Franchisor has the right to use such data in any manner without compensation to Franchisee. Franchisor licenses to Franchisee the use of such data solely for the purpose of operating the Franchised Business; provided that, this license shall automatically and irrevocably terminate, without any additional action or notice required by Franchisor, upon the expiration or earlier termination of this Agreement.

12.3.4 Franchisor may require Franchisee, at Franchisee's sole expense, to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System.

12.3.5 Franchisee shall have and maintain adequate software, hardware and peripherals in order to access the Internet at the speed required by Franchisor from time to time. Franchisee shall utilize the electronic mail account provided by Franchisor. Franchisee shall promptly read and respond to all electronic mail related to the Franchised Business no less often than on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by



Franchisor. Franchisee shall not establish any website or other listing on the Internet except as provided and specifically permitted herein.

- 12.3.6 Franchisor has established a website that provides information about the System and the products and services offered by the Cilantro Taco Grill System (the “Website”). Franchisor has sole discretion and control over the Website. Franchisor shall include a listing on its Website with Franchisee’s Franchised Business location. Franchisee has no ownership or other proprietary rights to Franchisor’s website and Franchisee will lose all rights to such listing of Franchisee’s location upon expiration or termination of this Agreement for any reason.
- 12.3.7 Franchisee shall pay all fees, whether to Franchisor or to third party vendor(s), and expenses for technology required by this Agreement, including but not limited to, the costs of computer software, hardware and peripherals, audio equipment and music programs and/or playlists, installation costs and regularly recurring fees for software and digital menu displays, Internet access, license fees, help desk fees, and licensing or user-based fees.
- 12.3.8 Franchisee is solely responsible for maintaining the security and integrity of the computer and payment processing systems used in the Franchised Business and the customer and other data stored therein. Franchisee, at Franchisee’s sole cost and expense, shall implement all computer software, hardware, peripherals and Internet security procedures, including required updates or upgrades thereto, that are reasonably necessary to protect Franchisee’s computer and payment processing systems and the data stored therein from viruses, malware, privacy breaches or other unauthorized access.
- 12.4 Safety and Security of Premises. Franchisee is solely responsible for the safety and security of the Franchised Business location for Franchisee, Franchisee’s personnel, customers, agents and the general public. Any suggestions by Franchisor on such matters are for guidance only and not binding on Franchisee. All matters of safety and security are within Franchisee’s discretion and control, and Franchisee’s indemnification obligations set forth in Section 15.6 hereof shall apply to any claims made against Franchisor regarding safety or security.
- 12.5 Prices. Franchisee shall have the right to sell its products and services at any price Franchisee determines, subject to Franchisor’s right (as limited by any applicable law) to recommend or set maximum prices for services and products offered by Franchisee, which may vary depending on geographic and other market conditions. Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering services or products at any particular price will enhance Franchisee’s sales or profits. Any such notice, if given at all, will be binding on Franchisee and Franchisee agrees to comply with Franchisor’s pricing guidelines. Franchisee is obligated to inform Franchisor of all prices charged for products sold by Franchisee and to inform Franchisor of any modifications of Franchisee’s prices. Franchisor may exercise rights with respect to pricing programs and products to the fullest extent permitted by then-applicable law. These rights may include (without limitation) establishing the maximum retail prices which Franchisee may charge customers for the programs or products offered and sold at Franchisee’s Restaurant; recommending retail prices; advertising specific retail prices for some or all programs or products sold by the Franchised Business, which prices Franchisee agrees to observe (sometimes known as “price point advertising campaigns”); engaging in advertising, promotional programs and related programs which Franchisee must participate in and which may directly or indirectly

impact Franchisee's retail prices (such as "buy one, get one free"); and otherwise mandating, directly or indirectly, the maximum retail prices which the Restaurant may charge the public for the programs, products and services it offers. Franchisor may engage in any such activity at any time throughout the term of this Agreement. Further, Franchisor may engage in such activity only in certain geographic areas (towns, cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. Franchisee acknowledges and agrees that any maximum prices Franchisor establishes or suggests may or may not optimize the revenues or profitability of the Restaurant. Franchisee entirely waives any and all claims related to Franchisor's establishment of prices charged at its Restaurant.

- 12.6 Unapproved Item/Suppliers. If Franchisee desires to purchase, lease or use any unapproved equipment, product, or service or to purchase, lease or use any equipment, product or service from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval prior to utilizing such product, service or supplier. Franchisee shall not purchase or lease any item or use any supplier until and unless such item or supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities and to test or otherwise evaluate samples from the supplier. Franchisor reserves the right to charge Franchisee a fee equal to the actual cost and expense for inspection and testing. Franchisor shall notify Franchisee whether Franchisor approves or disapproves of the proposed item or supplier within thirty (30) days after Franchisor receives all required information to evaluate the product, service or supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular item or supplier. In the event Franchisee sells any product or performs any services that Franchisor has not prescribed, approved or authorized, Franchisee shall immediately upon notice from Franchisor: (i) cease and desist offering or providing the unauthorized or unapproved product or service (ii) pay to Franchisor, on demand, a prohibited product or service fine equal to Two Hundred Fifty Dollars (\$250.00) per day for each day such unauthorized or unapproved product or service is offered or provided by Franchisee after written notice from us. The prohibited product or service fine shall be in addition to all other remedies available to Franchisor under this Agreement or at law. Franchisor reserves the right to direct that any supplier rebates, refunds, advertising allowances or other consideration payable or paid as a result of Franchisee's purchases of non-proprietary goods, services or equipment be paid to Franchisor or any affiliate that it may designate, or Franchisor may contribute such consideration to the Worldwide Creative Marketing Fund. Franchisee understands and acknowledges that if Franchisor elects to contribute any such consideration to the Worldwide Creative Marketing Fund, it does not in any manner reduce or negate Franchisee's obligation to pay the Worldwide Creative Marketing Fee, and Franchisee further acknowledges that it will not assert any interest in such monies.
- 12.7 External Quality Assurance Services. Franchisor reserves the right to establish quality assurance programs conducted by third party providers, including, but not limited to, mystery shop programs and periodic quality assurance audits ("Quality Review Services"). Upon Franchisor's request and at Franchisee's sole cost and expense, Franchisee shall subscribe, to any such third party provider for Quality Review Services to monitor the operations of the Franchised Business as directed by Franchisor.

12.8 Variations in Standards. Notwithstanding anything to the contrary contained in this Agreement and this Section 12 in particular, Franchisee acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary performance standards for some franchisees based upon the peculiarities and characteristics of the particular site or circumstance, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business. Franchisor has full rights to vary standard specifications and practices for any other franchisee at any time without giving Franchisee comparable rights. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.

### 13. ADVERTISING, PROMOTIONS AND RELATED FEES.

13.1 Advertising Programs. Franchisor may from time to time develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all Franchised Businesses operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor from time to time for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor, as modified from time to time, shall be final and binding upon Franchisee.

#### 13.2 Local Advertising.

13.2.1. In addition to the ongoing advertising contributions set forth herein, and following the expenditures set forth in Section 13.2.3 below, Franchisee shall spend monthly, throughout the term of this Agreement, not less than one percent (1%) of Franchisee's Gross Revenue per month, on advertising for the Franchised Business in the Territory ("Local Advertising"). Franchisor may require Franchisee to allocate to an advertising cooperative, as described in Section 13.4, up to one-half of Franchisee's required Local Advertising expenditures. Franchisor reserves the right to collect some or all of Franchisee's Local Advertising expenditure and implement Local Advertising on Franchisee's behalf.

13.2.2 Franchisee shall submit to Franchisor a monthly update to its marketing plan before the end of every month including an expenditure report and verification copies of all advertising to show that Franchisee has complied with its Local Advertising requirement for the previous calendar month, and any other information that Franchisor requires. Franchisee shall also provide to Franchisor for its review and approval, not later than the week before Thanksgiving Day of each year, a proposed advertising budget and plan for the next calendar year. The following costs and expenditures incurred by Franchisee shall **not** be included in Franchisee's expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing: (i) incentive programs for employees or agents of Franchisee; (ii) research expenditures; (iii) salaries and expenses of any of Franchisee's personnel to attend advertising meetings, workshops or other marketing activities; (iv) charitable, political or other contributions or donations.

- 13.2.3 In addition to its monthly Local Advertising requirement, Franchisee agrees to participate in any other advertising, promotional or marketing programs to advertise the Restaurants. The cost for participation in promotional programs will vary depending on the length and type of promotion, but shall not exceed Six Hundred Dollars (\$600) per each day of the promotional program. The costs will include labor, marketing materials, furniture, equipment and/or food. These promotions, if not designated by Franchisor, must first be approved by Franchisor described in Section 13.6 below.
- 13.2.4 Franchisee shall spend Fifteen Thousand Dollars (\$15,000.00) on Local Advertising and promotional activities in the Territory thirty (30) days prior to and within the first thirty (30) days after the opening of the Franchised Business to promote the opening of the Franchised Business (“Grand Opening Advertising Campaign”). Franchisee shall conduct Franchisee’s grand opening campaign in accordance with plans approved by Franchisor. Franchisee may not use a Grand Opening Advertising Campaign until it has received Franchisor’s approval. Any alterations made to the Grand Opening Advertising Campaign after Franchisor has approved it must be submitted to Franchisor for approval. Franchisor shall have sixty (60) days after receipt of Franchisee’s proposed Grand Opening Advertising Campaign to complete its review. Franchisor reserves the right to: (i) create a grand opening advertising campaign for Franchisee to conduct, or (ii) collect a non-refundable fee of Fifteen Thousand Dollars (\$15,000.00) and conduct the grand opening advertising campaign on Franchisee’s behalf. Franchisee agrees to render such assistance to Franchisor as necessary to finalize the Grand Opening Advertising Campaign. The grand opening advertising campaign must include the elements that Franchisor requires including, but not limited to, food and merchandise giveaways. Franchisor reserves the right to collect some or all of Franchisee’s grand opening funds and implement grand opening campaign activities on Franchisee’s behalf.

### 13.3 Worldwide Creative Marketing Fund.

- 13.3.1 Franchisor reserves the right to establish a national worldwide creative marketing fund (the “Worldwide Creative Marketing Fund”) on behalf of the System for national advertising and marketing. Franchisee is required to contribute a percentage of the Gross Revenue generated monthly by Franchisee’s Franchised Business to the Worldwide Creative Marketing Fund, as determined by Franchisor (“Worldwide Creative Marketing Fee”). Franchisor reserves the right, in Franchisor’s sole discretion and at any time and from time to time, to increase the amount of the Worldwide Creative Marketing Fee to any amount not to exceed two percent (2%) of Franchisee’s Gross Revenue. Payments will be made in the same manner and time as the Royalty Fees. If Franchisee fails to timely report Gross Revenue, then, in addition to a late fee and interest pursuant to Sections 6.3 and 6.4 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Worldwide Creative Marketing Fee payable. Franchisor shall reconcile amounts when Gross Revenues are reported.
- 13.3.2 Franchisor shall direct the Worldwide Creative Marketing Fund and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Worldwide Creative Marketing Fund is intended to maximize general public

recognition and acceptance of the Marks and enhance the collective success of all Franchised Businesses operating under the System.

- 13.3.3 Franchisor may, but has no obligation to, contribute to the Worldwide Creative Marketing Fund on the same basis as Franchisee with respect to Cilantro Taco Grill outlets operated by Franchisor or Franchisor's affiliates.
- 13.3.4 Franchisor may use the Worldwide Creative Marketing Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of television, radio, magazine, social media, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research, employing advertising agencies to assist therein; developing, enhancing and maintaining the Website; and staff salaries and other personnel and departmental costs for advertising that Franchisor internally administers or prepares). While Franchisor does not intend that any part of the Worldwide Creative Marketing Fund will be used for advertising which is principally a solicitation for franchisees, Franchisor reserves the right to use the Worldwide Creative Marketing Fund for public relations, to explain the franchise system, and/or to include a notation in any advertisement indicating "Franchises Available." Franchisor may use monies from the Worldwide Creative Marketing Fund to offset the cost of refresher training programs and the annual meeting, to conduct mystery shopper programs, and to ensure 4 Walls Marketing.
- 13.3.5 The Worldwide Creative Marketing Fund will be operated solely as a conduit for collecting and expending the advertising contributions for the System. The Worldwide Creative Marketing Fund will not be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs and overhead that Franchisor may incur in activities related to the administration and direction of the Worldwide Creative Marketing Fund and such costs and expenses pursuant Section 13.3.4. The Worldwide Creative Marketing Fund and its earnings shall not otherwise inure to Franchisor's benefit, except that any resulting technology and intellectual property shall be deemed the property of Franchisor.
- 13.3.6 In administering the Worldwide Creative Marketing Fund, Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.
- 13.3.7 Although the Worldwide Creative Marketing Fund is intended to be of perpetual duration, Franchisor may terminate it at any time and for any reason or no reason. Franchisor will not terminate the Worldwide Creative Marketing Fund, however, until all monies in the Worldwide Creative Marketing Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

13.4 Advertising Cooperative. Franchisor reserves the right to establish, in Franchisor's sole discretion, a regional advertising cooperative. If a regional cooperative is established during the term of this Agreement, Franchisee agrees to sign all documents Franchisor requests to become a member of the cooperative according to the terms of the documents. If Franchisor establishes a regional cooperative, Franchisee agrees to contribute amounts equal to Franchisee's share of the total cost of cooperative advertising, in addition to required Worldwide Creative Marketing Fees. In no event may the Restaurant be required to be a member of more than one regional advertising cooperative. The regional advertising cooperative must be governed in the manner Franchisor prescribes. Franchisee shall contribute such amounts at the times and in the manner as determined by the regional advertising cooperative members. Any funds contributed to a regional advertising cooperative will be credited against Franchisee's obligation to pay for Local Advertising as set forth in Section 13.2 above; provided, however, that if Franchisee's contributions to a regional advertising cooperative are less than the Local Advertising requirement, Franchisee shall nevertheless spend the difference locally. The following provisions apply to each regional advertising cooperative:

- 13.4.1 the regional advertising cooperative must be organized and governed in a form and manner, and commence operation on a date, that Franchisor approves in advance in writing;
- 13.4.2 the regional advertising cooperative must be organized for the exclusive purpose of administering advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for the members' use in Local Advertising within the regional advertising cooperative's area;
- 13.4.3 the regional advertising cooperative must have written governing documents of its rules and procedures, but such rules or procedures must be approved by Franchisor and must not restrict or expand Franchisee's rights or obligations under this Agreement;
- 13.4.4 except as otherwise provided in this Agreement, and subject to Franchisor's approval, any lawful action of the regional advertising cooperative (including, without limitation, imposing assessments for Local Advertising) at a meeting attended by members possessing more than fifty percent (50%) of the total voting power in the regional advertising cooperative is binding upon Franchisee if approved by members possessing more than fifty percent (50%) of the total voting power possessed by members in attendance, with each Restaurant having one (1) vote, but no franchisee (or commonly controlled group of franchisees) may have more than twenty-five percent (25%) of the vote in the regional advertising cooperative regardless of the number of Restaurants owned;
- 13.4.5 without Franchisor's prior written approval, the regional advertising cooperative may not use, nor furnish to its members, any advertising or promotional plans or materials; all such plans and materials must be submitted to Franchisor in accordance with the procedure set forth in Section 13.6;
- 13.4.6 the regional advertising cooperative may require its members to contribute to it quarterly and in such amounts as it determines; provided, however, that in no event may contributions to the regional advertising cooperative exceed one-half of one percent (0.5%) of Gross Revenue;

- 13.4.7 no later than the fifteenth (15<sup>th</sup>) day following the close of each quarter, each member/franchisee must submit its contribution under Section 13.4.6 for the preceding quarter to the regional advertising cooperative, together with such other statements or reports as Franchisor or the regional advertising cooperative may require, with Franchisor's prior written approval; and
- 13.4.8 if an impasse occurs because of a regional advertising cooperative members' inability or failure, within forty-five (45) days, to resolve any issue affecting the regional advertising cooperative's establishment or effective functioning, upon request of any regional advertising cooperative member, that issue must be submitted to Franchisor for consideration, and Franchisor's resolution of such issue is final and binding on all regional advertising cooperative members.
- 13.5 Directory Listings. At Franchisee's sole cost and expense, Franchisee must list the Franchised Business in local business directories, including, but not limited to, listings on Internet search engines. If feasible, and with Franchisor's prior written approval, Franchisee may do cooperative listings with other System franchisees. Notwithstanding the foregoing, Franchisee may not maintain any business profile on Facebook, Twitter, Instagram, TikTok, LinkedIn, YouTube, or any other social media and/or networking site without Franchisor's prior written approval and use of any social media accounts shall be in strict accordance with Franchisor's requirements. Franchisee shall provide Franchisor with all passwords and administrative rights to any and all social media accounts for the Franchised Business, and Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking whatever action as is necessary for the best interest of the System, if Franchisee fails to maintain such accounts in accordance with Franchisor's standards.
- 13.6 Approval of Advertising. All advertising and promotion by Franchisee, in any medium, shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manual or otherwise. Franchisee shall submit to Franchisor for its approval samples of all advertising, press releases, promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed that have not been either provided or previously approved by Franchisor. Franchisor shall approve or disapprove such plans and materials within fifteen (15) days of Franchisor's receipt thereof. If Franchisor fails to respond to Franchisee's submission within fifteen (15) days, such plans and materials shall be deemed "disapproved". Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor in writing and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Cilantro Taco Grill brand and approved by Franchisor may be used by other System franchisees without any compensation to Franchisee.

## **14. INTELLECTUAL PROPERTY.**

### **14.1 Ownership.**

- 14.1.1. Franchisee expressly understands and acknowledges that CTG IP LLC ("Licensor") or its successor is the record owner of the Marks. Franchisor holds the exclusive right to license

the Marks to franchisees of the System for use pursuant to the System. Franchisee further expressly understands and acknowledges that Franchisor claims copyrights on certain written material used in the System, including but not limited to, forms, advertisements, promotional materials and the Manual, whether or not Franchisor has filed for copyrights thereto with the U.S. Copyright Office. The Marks and copyrights are hereafter together referred to as the “Intellectual Property”.

- 14.1.2. As between Franchisor and Franchisee, Franchisor and Licensor are the owners of all right, title and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them.
- 14.1.3 Unless otherwise authorized or required by Franchisor, you shall operate and advertise the Franchised Business only under the name “Cilantro Taco Grill” without prefix or suffix. Franchisee shall not use the Marks, or any portions, variations, or derivatives thereof, as part of Franchisee’s corporate or other legal name and shall obtain Franchisor’s approval of such corporate or other legal name prior to filing it with the applicable state authority.
- 14.2 No Interference. Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the validity of Franchisor’s or Licensor’s rights with respect to the Intellectual Property. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Intellectual Property or any of Franchisor’s or Licensor’s service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of a Franchised Business and only at or from the Franchised Business location or in approved advertising related to the Franchised Business.
- 14.3 Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee’s use of the Intellectual Property and the System shall inure solely and exclusively to the benefit of Franchisor and Licensor, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee’s use of the Intellectual Property.
- 14.4 Validity. Franchisee shall not contest the validity of, or Franchisor’s or Licensor’s interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor’s or Licensor’s interest in, the Intellectual Property.
- 14.5 Infringement. Franchisee acknowledges that any unauthorized use of the Intellectual Property shall constitute an infringement of Franchisor’s or Licensor’s rights in the Intellectual Property and a material event of default hereunder. Franchisee shall provide Franchisor or Licensor with all assignments, affidavits, documents, information and assistance Franchisor or Licensor reasonably requests to fully vest in Franchisor or Licensor all such rights, title and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor or Licensor to register, maintain and enforce such rights in the Intellectual Property.
- 14.6 Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Franchised Business, if it in its sole discretion, determines that substitution of different Marks will be beneficial to the System. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any additions,



modifications, substitutions or discontinuation of the Marks. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

14.7 Franchisee's Use of the Intellectual Property. With respect to Franchisee's use of the Intellectual Property pursuant to this Agreement, Franchisee further agrees that:

14.7.1 Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Franchised Business only under the Marks "Cilantro Taco Grill" and design. c

14.7.2 Franchisee shall identify itself as the owner of the Franchised Business and as an independent Cilantro Taco Grill franchisee in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as Franchisor may designate in writing.

14.7.3 Franchisee shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor.

14.7.4 Any item offered by Franchisee that contains the Marks, must be approved by Franchisor in writing prior to being distributed or sold by Franchisee and such approval may be granted or denied in Franchisor's sole and absolute discretion.

14.8 Claims. Franchisee shall notify Franchisor immediately via both email and telephone, of any apparent infringement of or challenge to Franchisee's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property. Franchisee shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Intellectual Property. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property. Franchisor will indemnify and defend Franchisee against and reimburse Franchisee for actual damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Franchisee with respect to such proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement.

14.9 Franchisor may use and grant franchises and licenses to others to use the Intellectual Property and the System and to establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems and Franchisor may modify or change, in whole or in part, any aspect of the Intellectual Property or the System, so long as Franchisee's rights thereto are in no way

materially harmed thereby.

14.10 Franchisee shall not register or attempt to register the Intellectual Property in Franchisee's name or that of any other person, firm, entity or corporation.

## 15. INSURANCE AND INDEMNIFICATION.

15.1 Procurement. Franchisee shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement at Franchisee's sole cost and expense and to Franchisor's sole satisfaction, insurance policies protecting Franchisee and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds as their interests may appear, in the following minimum limits (except as additional coverage and higher policy limits may reasonably be specified from time to time in the Manual or otherwise in writing):

15.1.1 Liability. Commercial general liability insurance, including broad form contractual liability, employment practices coverage, broad form property damage, personal injury, facilities, completed operations, products liability, automobile (covering all vehicles used in the delivery of catering and products from the Restaurant, including owned, hired and non-owned vehicles), and fire legal liability in the amount of Two Million Dollars (\$2,000,000.00) per occurrence; however, in the event Franchisee offers alcoholic beverages from the Restaurant, it shall include liquor liability, and the amount of comprehensive general liability will increase to Five Million Dollars (\$5,000,000.00);

15.1.2 Employment. Worker's compensation coverage in the limits required by state law, errors and omissions (E&O), directors and officers general liability (D&O), employer's liability insurance in the amount of Five Hundred Thousand Dollars (\$500,000) per accident shall be carried on all of Franchisee's employees, and crime and employee dishonesty in the minimum amount of Twenty-Five Thousand Dollars (\$25,000), as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated;

15.1.3 Property. Fire, vandalism, windstorm and hail, and extended coverage insurance for property damage with primary and excess limits of not less than the full replacement value of the leasehold improvements, equipment, furniture, fixtures, and inventory. In connection with any construction, renovation, refurbishment or remodeling of the Restaurant, Franchisee shall maintain builders' risks insurance and performance and completion bonds in forms and amounts, and written by duly licensed carrier or carriers, reasonably satisfactory to Franchisor;

15.1.4 Business. Business interruption insurance of at least fifty percent (50%) of Franchisee's annual Gross Revenue excluding payroll, including naming Franchisor as an additional insured and loss payee for royalties that would have been paid by Franchisee based on the Restaurant's Gross Revenue during the preceding 12-month period;

15.1.5 Automobile Insurance. Prior to operation of any vehicle on behalf of the Franchised Business, Franchisee must obtain comprehensive automobile liability insurance in the amount of at least a combined single limit for bodily injury and property damage of One

Million Dollars (\$1,000,000);

- 15.1.6 Electronic Data Processing. Coverage for damage or loss of electronic and computer equipment, media and data in an amount of not less than Ten Thousand Dollars (\$10,000.00); and
- 15.1.7 Identity Theft, Forgery or Alteration. Coverage for identity forgery, alteration or theft in an amount of at least Two Thousand Five Hundred Dollars (\$2,500.00) per loss and Two Thousand Five Hundred Dollars (\$2,500.00) for expenses.
- 15.2 Evidence of Insurance. Franchisee shall deliver to, and maintain at all times with Franchisor, current Certificates of Insurance evidencing the existence and continuation of the required coverages. Franchisee shall deliver the initial Certificate of Insurance no later than ten (10) days before Franchisee opens the Franchised Business. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder.
- 15.3 Failure to Procure. If, for any reason, Franchisee should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Franchisee for the cost thereof together with an administrative fee of ten percent (10%) of the cost for Franchisor's expenses in so acting, including all attorneys' fees. Franchisee shall pay Franchisor immediately upon notice by Franchisor to Franchisee that Franchisor has undertaken such action and the cost thereof.
- 15.4 Increase in Coverage. The levels and types of insurance stated herein are minimum requirements. Franchisor reserves the right to raise the required minimum requirements for any type of insurance or add additional types of insurance requirements as Franchisor deems reasonably prudent to require. Within thirty (30) days of any such required new limits or types of coverage, Franchisee must submit proof to Franchisor of Franchisee's coverage pursuant to Franchisor's requirements.
- 15.5 Additional Insured. All required insurance policies shall name Franchisor and their affiliates and their members, officers, agents and employees as additional insureds as their interests may appear. All public liability policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss caused by Franchisee or Franchisee's servants, agents or employees, and all required insurance policies shall contain a waiver of subrogation in favor of the additional insureds.
- 15.6 Indemnification. TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS CTG FRANCHISE LLC, CTG IP LLC, AND ANY OF THESE COMPANIES' PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES (COLLECTIVELY REFERRED TO AS THE "CILANTRO TACO GRILL INDEMNITEES"), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO THE OPERATION, CONDITION, OR ANY PART OF FRANCHISEE'S CILANTRO TACO

GRILL FRANCHISE, THE FRANCHISED BUSINESS, THE PRODUCTS, THE PREMISES, OR ANY ASPECT OF THE REAL ESTATE CONNECTED TO FRANCHISEE'S FRANCHISED BUSINESS, WHETHER CAUSED BY FRANCHISEE, FRANCHISEE'S AGENTS OR EMPLOYEES, OR ARISING FROM FRANCHISEE'S ADVERTISING OR BUSINESS PRACTICES FRANCHISEE AGREES TO PAY FOR ALL THE CILANTRO TACO GRILL INDEMNITEES' LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS' FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY FRANCHISEE HEREUNDER. THE CILANTRO TACO GRILL INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE CILANTRO TACO GRILL INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. FRANCHISEE AGREES THAT TO HOLD THE CILANTRO TACO GRILL INDEMNITEES HARMLESS, FRANCHISEE WILL REIMBURSE THE CILANTRO TACO GRILL INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE CILANTRO TACO GRILL INDEMNITEES.

---

Initial

## 16. TRANSFERS.

### 16.1 Transfers by Franchisor.

16.1.1 Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation or other entity, without Franchisee's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder. Specifically, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may: (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of Franchisor's securities; (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors; (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and (v) with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the business franchised herein or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to assign Franchisor's rights in this Agreement.

16.1.2 Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities,

and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Franchisee acknowledges may be within the Territory, proximate thereto, or proximate to any of Franchisee's locations).

16.1.3 If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the food and beverage business or to offer or sell any products or services to Franchisee.

16.2 Restrictions on Transfers by Franchisee. Franchisee's rights and duties under this Agreement are personal to Franchisee as it is organized and with the Principals of the business as they exist on the date of execution of this Agreement, and Franchisor has made this Agreement with Franchisee in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.

16.3 Transfers by Franchisee. Franchisee shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder (a "Transfer"), the Franchise, the Franchised Business or any assets thereof (except in the ordinary course of business) or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless it first obtains the written consent of Franchisor. A transfer of any stock in the Franchisee if it is a corporation or a transfer of any ownership rights in Franchisee if it is a partnership, a limited liability company or limited partnership shall be considered a Transfer restricted hereunder. If Franchisee has complied fully with this Agreement and subject to Franchisor's Right of First Refusal set forth in Section 16.6, Franchisor will not unreasonably withhold its consent of a Transfer that meets the following requirements:

16.3.1 The proposed transferee and all its principals must have the demeanor, and be individuals of good character and otherwise meet Franchisor's then-applicable standards for franchisees.

16.3.2 The transferee must have sufficient business experience, aptitude and financial resources to operate the Franchised Business and to comply with this Agreement;

16.3.3 The transferee has agreed to complete Franchisor's HQ Initial Training program to Franchisor's satisfaction;

16.3.4 Franchisee has paid all amounts owed to Franchisor and third party creditors;

16.3.5 The transferee has executed, for a term ending on the expiration date of this Agreement and with such renewal terms as may be provided by this Agreement, Franchisor's then-standard form of Franchise Agreement, which may have terms and conditions different from this Agreement, except that the transferee shall not be required to pay the Initial Franchise Fee;

16.3.6 Franchisee and the transferee and each of Franchisee's and the transferee's Principals shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and

employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules and ordinances. Franchisee will agree to subordinate any claims Franchisee may have against the transferee to Franchisor, and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the Franchise Disclosure Document given to the transferee;

16.3.7 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the Franchised Business's operation. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Franchise on such terms and conditions. Franchisee shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer;

16.3.8 If Franchisee or any Principal finances any part of the sale price of the Transfer, Franchisee or its Principal have agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or its Principal will be subordinate to the transferee's obligations to Franchisor;

16.3.9 If consent is required, the lessor of the Franchised Business's premises consents to the assignment or further sublet of the premises to the transferee; and

16.3.10 The proposed transferee, at its expense, shall renovate, modernize and otherwise upgrade the Restaurant and, if applicable, any motor vehicles used for delivery and/or catering services to conform to the then-current standards and specifications of the System, and shall complete the upgrading and other requirements which conform to the System-wide standards within the time period reasonably specified by Franchisor;

16.3.11 The Franchisee shall remain liable for all of the obligations to us in connection with the Restaurant incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;

16.4 Transfer Fee. As a condition to any Transfer, Franchisee shall pay Franchisor a transfer fee equal to Fifteen Thousand Dollars (\$15,000.00).

16.5 Entity Formation Documents. The By-Laws of a corporation or Operating Agreement of a limited liability company of a Franchisee that is an entity must state that (i) the issuance and assignment of any interest in Franchisee are restricted by this Article 16; (ii) Franchisee may conduct no business except the operation of a Franchised Business pursuant to the terms of this Agreement; (iii) transfers of interests in Franchisee are subject to the terms of this Agreement governing transfers; and (iv) stock or member certificates will contain a legend so indicating.

16.6 Franchisor 's Right of First Refusal.

16.6.1 If Franchisee wishes to transfer all or part of its interest in the Franchised Business or this Agreement or if a Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer to purchase such interest, then Franchisee or such Principal

shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require.

- 16.6.2 Franchisor has the right, exercisable by written notice to Franchisee within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement and the Franchised Business or the Principal's interest in Franchisee for the price and on the terms and conditions contained in the offer, subject to Section 16.6.3.
- 16.6.3 Franchisee further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer; (ii) at Franchisor's option, Franchisor may pay the entire purchase price at closing; (iii) Franchisor's credit will be deemed equal to the credit of any proposed transferee; (iv) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from the Franchisee all customary representations and warranties given by a seller of the assets of a business or equity interest in an entity, as applicable.
- 16.6.4 If Franchisor does not exercise its right to buy within thirty (30) days, Franchisee may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor's prior written approval pursuant to Section 16.3 hereof. However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal.
- 16.6.5 Notwithstanding the foregoing, where the Transfer (alone or together with any other Transfer or event effected within the prior twenty-four (24) month period) results in a "Change of Control", Franchisor may elect, in its sole discretion, to treat the notice given pursuant to Section 16.6.1 as an offer to assign to Franchisor all of Franchisee's rights under this Agreement and to the Restaurant (including lease and contract rights and other assets of Franchisee and its affiliates used in connection with the Restaurant, excluding the assets of Franchisee's benefit plans) (collectively, the "Restaurant Interests"). As used in this Section 16.6.5, Change of Control means any circumstance resulting in one or more Principal(s) holding ten percent (10%) or more of the total ownership interest ceasing to be a Principal and/or the addition of any new Principal. In such case, Franchisor shall notify Franchisee of the special election provided for in this Section 16.6.5 at the time Franchisor exercises its option as provided in Section 16.6.2. The terms of such purchase shall be the same as the offer terms (subject to the other provisions of this Section 16.6.5), but the price shall be the lesser of (1) the Implied Market Price or (2) the fair market value of the Restaurant Interests, determined as set forth in this Section 16.6.5. As used herein, "Implied Market Price" shall mean an amount equal to the total price to be paid by the transferee under the offer terms, divided by the percentage (expressed as a decimal) of ownership of Franchisee proposed to be acquired (directly or indirectly) by the transferee, less the fair market value of any assets included in the Transfer that are not related to the Restaurant. If the parties cannot agree on the fair market value of the Restaurant Interests or any assets within thirty (30) days of Franchisor's exercise of this option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the

average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and each shall pay one-half (1/2) of the appraisal fees. If Franchisee has more than one (1) Restaurant, then the Implied Market Price shall, unless otherwise agreed by the parties, be allocated among all Restaurants equally. Franchisor may assign its rights under this Section 16.6.5 to any other person or entity, subject to Section 16.1 above.

- 16.7 Death or Permanent Disability. The grant of rights under this Agreement is personal to Franchisee, and on the death or permanent disability of Franchisee or any of Franchisee's Principals, the executor, administrator, conservator or other personal representative of Franchisee or Principal, as the case may be, shall be required to transfer Franchisee's or Principal's interest in this Agreement within six (6) months from the date of death or permanent disability to a third party approved by Franchisor. Failure to transfer in accordance with the foregoing will constitute a material default and the Franchise granted by this Agreement will terminate. A transfer under this Section 16.7, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 16 and unless transferred by gift, devise or inheritance, subject to the terms of Section 16.6 above. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from providing continuous and material supervision of the operation of Franchisee's Franchised Business during the six (6)-month period from its onset.

Immediately after the death or permanent disability of such person, or while the Franchise is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Franchised Business shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management at Franchisor's then-current interim management support fee, pending transfer of the Franchise to the deceased or disabled individual's lawful heirs or successors.

- 16.8 Effect of Consent to Transfer. Franchisor's consent to a Transfer will not waive any claims Franchisor may have against the Franchisee or any Franchisee's Principals nor waive its right to demand that the transferee comply strictly with this Agreement.
- 16.9 Security Interests to Lender. If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the Assets and the Franchised Business to a lender of the funds needed by Franchisee for Franchisee's initial investment, provided that the security interest is subordinate to Franchisee's obligations to Franchisor, that a foreclosure on such a pledge or security interest and/or any Transfer resulting from such a foreclosure shall be subject to all provisions of this Agreement, and that Franchisee obtains from the lender a written acknowledgement to Franchisor of these restrictions. Notwithstanding the foregoing, in the event Franchisee obtains financing whereby funding is provided with the assistance of the United States Small Business Administration ("SBA Financing"), Franchisee shall be permitted to grant the lender of such SBA Financing a senior lien on any Uniform Commercial Code collateral Franchisee uses to secure the SBA Financing, and Franchisor agrees to (i) subordinate its interest in any lien on Franchisee's Uniform Commercial Code collateral to that of the lender of the SBA Financing and (ii) waive the requirement of the written acknowledgement referenced in this Section.



## 17. DEFAULTS.

- 17.1 Default and Automatic Termination. Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated a bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days.
- 17.2 Defaults with No Opportunity to Cure. Franchisee shall be deemed to be in material 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 notice to Franchisee, if Franchisee, or any Principal, as the case may be:
- 17.2.1 fails to acquire a site for the Franchised Business, complete construction or remodeling of the Franchised Business, obtain all licenses and permits before opening or remodeling, or open the Franchised Business within the time and in the manner specified in Article 8.
- 17.2.2 falsifies any report required to be furnished Franchisor hereunder;
- 17.2.3 ceases to operate the Franchised Business for a period of five (5) days or more; provided, however, that this provision shall not apply if through no fault of Franchisee, the premises are damaged or destroyed by a casualty and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation.
- 17.2.4 loses for any cause whatsoever the right of possession of the real property on which the Franchised Business is located; provided, however, that this provision shall not apply if through no fault of Franchisee, Franchisee loses right of possession and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate the Franchised Business (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such relocation in accordance with Section 8.4.
- 17.2.5 fails to restore the Franchised Business location to full operation within a reasonable period time but not more than one hundred twenty (120) days from the date the Franchised

Business location is rendered inoperable by any casualty, as may be extended by Franchisor in Franchisor's reasonable discretion;

- 17.2.6 fails to comply with any federal, state or local law, rule or regulation, applicable to the operation of the Franchised Business, including, but not limited to, the failure to pay taxes;
- 17.2.7 defaults under any lease or sublease of the real property on which the Franchised Business is located;
- 17.2.8 understates Gross Revenue on two (2) occasions or more, whether or not cured on any or all of those occasions;
- 17.2.9 fails to comply with the covenants in Article 15;
- 17.2.10 permits a Transfer in violation of the provisions of Article 16 of this Agreement;
- 17.2.11 fails, or Franchisee's legal representative fails, to transfer the interests in this Franchise Agreement and the Franchised Business upon death or permanent disability of Franchisee or any Principal of Franchisee as required by Section 16.7.
- 17.2.12 has misrepresented or omitted material facts in applying for the Franchise;
- 17.2.13 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks or engages in any other conduct that may harm the reputation of the System or the goodwill associated with the Marks;
- 17.2.14 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;
- 17.2.15 conceals revenues, knowingly maintains false books or records, or knowingly submits any false reports;
- 17.2.16 creates a threat or danger to public health or safety from the construction, maintenance or operation of the Franchised Business;
- 17.2.17 refuses to permit Franchisor to inspect or audit Franchisee's books or records;
- 17.2.18 makes any unauthorized use of the Marks or copyrighted material or any unauthorized use or disclosure of Confidential Information (as defined in Section 19.2);
- 17.2.19 fails to comply with the non-competition covenants in Section 19.5;
- 17.2.20 defaults in the performance of Franchisee's obligations under this Agreement three (3) or more times during the term of this Agreement or has been given at least two (2) notices of default in any consecutive twelve (12)-month period, whether or not the defaults have been corrected;

17.2.21 has insufficient funds to honor a check or electronic funds transfer two (2) or more times within any consecutive twelve (12)-month period;

17.2.22 defaults, or an affiliate of Franchisee defaults, under any other agreement, including any other franchise agreement, with Franchisor or any of its affiliates, suppliers or landlord and does not cure such default within the time period provided in such other agreement;

17.2.23 terminates this Agreement without cause;

17.2.24 fails to propose a qualified replacement or successor General Manager and/or Manager within the time required under Section 11.3.3 following ten (10) days' prior written notice; or

17.2.25 breaches in any material respect any of the covenants set forth in Article 11 or have falsely made any of the representations or warranties set forth in Article 11;

17.3 Curable Defaults. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Franchisee fails to cure the default within the time period set forth in this Section 17.3, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.3.1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)-month period, and the third such late payment in any twelve (12)-month period shall be a non-curable default under Sections 17.2.20 and/or 17.2.21;

17.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 17.1 and 17.2 for which there is no opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Franchisee proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)-month period, and the third such default, whether monetary or non-monetary, in any twelve (12) – month period shall be a non-curable default under Section 17.2.20.

17.4 Franchisor's Cure of Franchisee's Defaults. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor may, but has no obligation to:

17.4.1 effect a cure on Franchisee's behalf and at Franchisee's expense, and Franchisee shall immediately pay Franchisor the costs incurred by Franchisor upon demand; or

17.4.2 enter upon the Franchised Business location and exercise complete authority with respect to the operation thereof until such time as Franchisor determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may take over, control and operate the Franchised Business. In addition to all other fees paid under this Agreement, Franchisee shall pay Franchisor ten percent (10%) of the Gross Revenue generated by the Franchised Business during Franchisor's operation thereof as compensation therefor. Further, Franchisee shall reimburse Franchisor for the full compensation paid to such representative including the cost of all fringe benefits plus all travel expenses, lodging, meals and other expenses reasonably incurred by such representative until the default has been cured and Franchisee is complying with the terms of this Agreement.

17.5 Notice to Suppliers. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor reserves the right with five (5) days' prior written notice to Franchisee to direct suppliers to stop furnishing any and all products and supplies until such time as Franchisee's default is cured. In no event shall Franchisee have recourse against Franchisor for loss of revenue, customer goodwill, profits or other business arising from Franchisor's actions and the actions of suppliers.

17.6 Reimbursement of Costs. Franchisee shall reimburse Franchisor all costs and expenses, including but not limited to attorneys' fees, incurred by Franchisor as a result of Franchisee's default, including costs in connection with collection of any amounts owed to Franchisor and/or enforcement of Franchisor's rights under this Agreement.

## 18. POST-TERMINATION.

18.1 Franchisee's Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Franchisee shall immediately terminate and Franchisee and each Principal, if any, shall:

18.1.1 immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly identify himself, herself or itself as a current Cilantro Taco Grill owner, franchisee or licensee;

18.1.2 immediately and permanently cease to use the Marks, any imitation of any Mark, logos, copyrighted material or other intellectual property, confidential or proprietary material or indicia of a Cilantro Taco Grill restaurant, or use any trade name, trade or service mark or other commercial symbol that suggests an association with Franchisor, Licensor, or the System. In particular, Franchisee shall cease to use, without limitation, all signs, billboards, advertising materials, displays, stationery, forms and any other articles, which display the Marks;

18.1.3 take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence of compliance with this obligation, which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement;

- 18.1.4 promptly pay all sums owing to Franchisor and its affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee. The payment obligation herein shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and located at the Franchised Business location at the time of default;
- 18.1.5 pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination;
- 18.1.6 immediately deliver at Franchisee's sole cost and expense, to Franchisor the Manual and all records, files, instructions, correspondence, invoices, agreements, designs, completed project signs, all confidential, proprietary and copyrighted material and all other materials related to operation of the Franchised Business, including but not limited to customer lists and records, (all of which are acknowledged to be Franchisor's property), delete all electronic copies and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law;
- 18.1.7 comply with the non-disclosure and non-competition covenants contained in Article 19; and
- 18.1.8 in the event this Agreement is terminated due to Franchisee's default, within fifteen (15) days from the effective date of termination, Franchisee shall pay Franchisor a lump sum payment (as liquidated damages and not as a penalty) in an amount equal to: (a) the average monthly Royalty Fee and Worldwide Creative Marketing Fee payable by Franchisee over the twelve (12) month period immediately prior to the date of termination (or such shorter time period if the Franchised Business has been open less than twelve (12) months); (b) multiplied by the lesser of (i) thirty-six (36) months or (ii) the number of months then remaining in the then-current term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light thereof. The liquidated damages payable by Franchisee pursuant to this Section 18.1.8 shall be in addition to all other amounts payable under this Agreement and shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies pursuant to any other provision of this Agreement.

## 18.2 Right to Purchase.

- 18.2.1 Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including any point-of-sale system), signs, fixtures, advertising materials, supplies, and inventory of Franchisee related to the operation of the Franchised Business, at Franchisee's cost or fair market value, whichever is less. Franchisor shall purchase Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and Franchisor shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of

Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise its option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash. Closing of the purchase shall take place no later than thirty (30) days after determination of the fair market value.

- 18.2.2 In addition to the option described above and if Franchisee owns the Restaurant premises, then Franchisor shall have the option, to be exercised at or within thirty (30) days after termination or expiration of this Agreement, to purchase the Restaurant premises including any building thereon, if applicable, for the fair market value of the land and building, and any or all of the furnishings, equipment, signs, fixtures, vehicles, supplies and inventory therein at fair market value. Franchisor shall purchase assets only and shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If Franchisee does not own the land on which the Restaurant is operated and Franchisor exercises its option for an assignment of the lease, Franchisor may exercise this option for the purpose of purchasing the building if owned by Franchisee and related assets as described above. If the parties cannot agree on fair market value within thirty (30) days of our exercise of this option, fair market value shall be determined in accordance with appraisal procedure described above.
- 18.2.3 With respect to the options described in Sections 18.2.1 and 18.2.2, Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the assets being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.
- 18.2.4 Notwithstanding anything to the contrary contained in Sections 18.2.1 and 18.2.2, if Franchisee operates the Restaurant from a premises that is subleased to Franchisee by Franchisor, upon termination (or expiration if Franchisee does not renew) of this Agreement, Franchisor shall have the right to take immediate possession of all or a portion of the assets of the Restaurant, including any or all of the furnishings, equipment, computer system (including any point-of-sale, software, hardware and peripherals), signs, fixtures, motor vehicles, supplies, and inventory of Franchisee's related to the operation of the Restaurant. Franchisor shall have a lien against all such assets in the amount of any amounts due to Franchisor under this Agreement or any other agreement. Franchisor shall have the right to have such assets appraised at the lower of cost or fair market value of the used assets, and to acquire all right, title and interest to such assets, without conducting any public sale, by paying to Franchisee (or to any lender who has a lienholder interest in the assets) the difference between the appraised value and the amounts owed to Franchisor by Franchisee at the time of termination or expiration of this Agreement. If the lien on the assets from the lender has priority over any lien of Franchisor's, and the amount of the lien is in excess of the appraised value of such assets, Franchisor shall have the right to deal

directly with Franchisee's lienholder, and to pay any amounts due to Franchisee directly to the lienholder. Franchisee agrees to provide all further assurances, and to execute all documents required by Franchisor or by law to lawfully effect such transfer, and to perfect Franchisor's security interest. Franchisor shall have the right to take such action without the execution of any further documents by Franchisee if it fails or refuses to comply with these further assurances.

18.2.5 Franchisor shall be entitled to assign any and all of its option in Section 18.2.1 to any other party, without the consent of Franchisee.

18.3 Assignment of Communications. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Franchised Business and any related public directory listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time, to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor any and all social media and internet listings, domain names, internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Franchised Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 11.6, Franchisee shall provide Franchisor with all passwords and administrative rights, and hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

18.4 Survival. The rights and obligations of the parties contained in this Article 18 shall survive the expiration or sooner termination of this Agreement.

## **19. NON-DISCLOSURE AND NON-COMPETITION COVENANTS.**

### **19.1 Operations Manual.**

19.1.1 Franchisor has provided to Franchisee, on loan, a current copy of the Manual. The Manual may be in hard copy or made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. If the Manual (or any changes thereto) are provided in a form other than physical copy, Franchisee shall pay any and all costs to retrieve, review, use or access the Manual. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall operate all aspects of the Franchised Business in accordance with the Manual, as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time, whether or not such directives are included in the Manual, and any other manual and materials created or approved for use in the operation of the Franchised Business.

19.1.2 Franchisee and any and all Principals shall at all times treat the Manual, written directives, and other materials and any other confidential communications or materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article and this Agreement. Franchisee and

Franchisee's Principals, if any, shall not divulge and make such materials available to anyone other than those of Franchisee's employees who require the information contained therein to operate the Franchised Business. Franchisee shall, prior to disclosure, fully train and inform its employees on all the restrictions, terms and conditions under which it is permitted to use Franchisor's intellectual, proprietary and confidential information; and shall ensure its employees' compliance with such restrictions, terms and conditions. Franchisee, Franchisee's Principals, and any person working with Franchisee shall agree not, at any time to use, copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent.

19.1.3 The Manual, written directives, and other materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor. Franchisee shall maintain the Manual and all Franchisor's confidential and proprietary materials at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and shall report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall, encryption and similar technology to prevent unauthorized access. Franchisee shall delete all electronic copies and return and cease using any physical copy of the Manual and other confidential and proprietary materials to Franchisor immediately upon request or upon transfer, termination or expiration of this Agreement.

19.1.4 Franchisor may from time to time revise the contents of the Manual and other materials created or approved for use in the operation of the Franchised Business. Franchisee expressly agrees to comply with each new or changed policy, standard or directive. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall control.

19.1.5 If Franchisee loses, misplaces or otherwise requests a physical copy of the Manual, Franchisor, in its discretion, may provide such physical copy and Franchisee shall pay Franchisor the then-current replacement fee. The replacement fee as of the date of this Agreement is One Hundred Dollars (\$100.00).

19.2 Confidential Information. Franchisee along with its Principals acknowledge and accept that during the term of this Agreement, Franchisee and any Principal will have access to Franchisor's trade secrets, including, but not limited to, recipes, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Neither Franchisee nor any Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of,



any other person or entity, and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information that may be communicated to Franchisee or any Principal or of which Franchisee or any Principal may be apprised in connection with the operation of the Franchised Business under the terms of this Agreement. Franchisee and any Principal shall not divulge and make any Confidential Information available to anyone other than those of Franchisee's employees who require the Confidential Information to operate the Franchised Business and who have themselves entered into confidentiality and non-compete agreements containing the same provisions as contained in this Agreement, in accordance with Section 19.10 hereof. Franchisee and any Principal shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent. The covenant in this Section 19.2 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each Principal.

19.3 Protection of Information. Franchisee shall take all steps necessary, at Franchisee's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Franchisee finds that any Confidential Information has been divulged in violation of this Agreement.

19.4 New Concepts. If Franchisee or any Principal develops any new concept, process, product, recipe, or improvement in the operation or promotion of the Franchised Business ("Improvements"), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information, processes, products, design or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements. Franchisee and any Principal acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate.

19.5 Noncompetition Covenants. Franchisee and each Principal, if any, specifically acknowledge that, pursuant to this Agreement, Franchisee and each Principal, if any, will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee, each Principal and Franchisee's managers and employees. Franchisee and each Principal, if any, acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Franchisee and each Principal, if any, are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and each Principal, if any, covenant that, except as otherwise approved in writing by Franchisor:

19.5.1 During the term of this Agreement, Franchisee and each Principal, if any, shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or food service business

featuring Mexican cuisine; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Cilantro Taco Grill franchisees or Franchisor-affiliated outlets.

- 19.5.2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for thirty-six (36) months thereafter, Franchisee and Principals, if any, shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or food service business featuring Mexican cuisine within twenty (20) miles of the Territory or any Cilantro Taco Grill location; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Cilantro Taco Grill franchisees.
- 19.6 Reasonableness of Restrictions. Franchisee and each Principal, if any, acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee or Principals, if any, since Franchisee or Principals, as the case may be, have other considerable skills, experience and education which afford Franchisee or Principals, as the case may be, the opportunity to derive income from other endeavors.
- 19.7 Reduction of Time or Scope. If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Paragraph 19 or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees to forthwith comply with any covenant as so modified.
- 19.8 Injunctive Relief. Franchisee and each Principal, if any, acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee and each Principal, if any, hereby consents to the entry of an injunction prohibiting any conduct by Franchisee or any Principal in violation of the terms of the covenants not to compete set forth in this Agreement.
- 19.9 No Defense. Franchisee and each Principal, if any, expressly agree that the existence of any claims they 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 Section.
- 19.10 Covenants of Employees, Agents and Third Persons. Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Franchisee) from the General Manager,

Managers, all employees, contractors or third persons who will have access to Franchisor's confidential and proprietary information. Such covenants shall be substantially in the form set forth in Attachment 8 as revised and updated from time to time and contained in the Manual.

19.11 Failure to Comply. Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in connection with the enforcement of this Section, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of such Section. Notwithstanding the generality of the foregoing, Franchisee further understands and agrees that if it fails to comply with a non-competition covenant stated herein, Franchisee shall pay to Franchisor Five Hundred Dollars (\$500.00) per week for each week such failure to comply continues. The non-compliance fine shall be in addition to all other remedies available to Franchisor under this Agreement or at law.

## 20. DISPUTE RESOLUTION.

20.1 Internal Dispute Resolution. Franchisee shall first bring any claim, controversy or dispute arising out of or relating to this Agreement, the Attachments hereto or the relationship created by this Agreement to Franchisor's president and/or chief executive officer for resolution. After providing notice as set forth in Section 21.7 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

20.2 Mediation. At Franchisor's option, any claim, controversy or dispute that is not resolved pursuant to Section 20.1 hereof shall be submitted to non-binding mediation. Franchisee shall provide Franchisor with written notice of Franchisee's intent to pursue any unresolved claim, controversy or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor shall have thirty (30) days following receipt of Franchisee's notice to exercise Franchisor's option to submit such claim, controversy or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall take place in the then-current location of Franchisor's corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys' fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor's rights to mediation, as set forth herein.

### 20.3 Arbitration.

20.3.1 Except disputes not subject to alternative dispute resolution as set forth in Section 20.4, any dispute between Franchisor and Franchisee and/or any Principal arising out of or relating to this Agreement, the Exhibits hereto or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Sections 20.1 or 20.2, will be resolved by submission to the American Arbitration Association or its successor organization to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association or successor organization. The arbitrator will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement.

- 20.3.2 All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 20 will be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*) and the federal common law of arbitration. All hearings and other proceedings will take place in Cook County, Illinois, or the offices of the American Arbitration Association, or, if Franchisor so elects, in the county where the principal place of business of Franchisee is then located.
- 20.3.3 This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived.
- 20.3.4 The provisions of this Section 20.3 are independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law.
- 20.3.5 In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith. No notice, request or demand for arbitration shall stay, postpone or rescind the effectiveness of any termination of this Agreement.
- 20.3.6 Except as expressly required by law, Franchisor, Franchisee and any Principal shall keep all aspects of any mediation and/or arbitration proceeding in confidence, and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information.
- 20.4 Exceptions. Notwithstanding the requirements of Sections 20.2 or 20.3, the following claims shall not be subject to mediation or arbitration:
- 20.4.1 Franchisor's claims for injunctive or other extraordinary relief;
- 20.4.2 disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;
- 20.4.3 disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks;
- 20.4.4 disputes and controversies relating to actions to obtain possession of the premises of the Franchised Business; and

20.4.5 enforcement of Franchisee's post-termination obligations, including but not limited to, Franchisee's non-competition covenants.

20.5 Governing Law and Venue. This Agreement is made in, and shall be substantially performed in, the State of Illinois. Any claims, controversies, disputes or actions arising out of this Agreement shall be governed, enforced and interpreted pursuant to the laws of the State of Illinois. Franchisee and Principals, except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in Illinois. Franchisee and Principals hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision.

20.6 Mutual Benefit. Franchisee, each Principal, if any, and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Franchisee, Principals, if any, and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

20.7 Waiver of Jury Trial and Certain Damages. Franchisee and each Principal hereby waive, to the fullest extent permitted by law, any right to or claim for (i) a trial by jury in any action, proceeding or counterclaim brought by or against Franchisor, and (ii) any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Each of Franchisee and Principal(s) agree that in the event of a dispute, Franchisee and each Principal shall be limited to the recovery of any actual damages sustained.

20.8 Limitations of Claims. Any and all claims asserted by Franchisee arising out of or relating to this Agreement or the relationship among the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Franchisee knew or should have known of the facts giving rise to such claims.

20.9 Attorneys' Fees. In the event of any action in law or equity by and between Franchisor and Franchisee concerning the operation, enforcement, construction or interpretation of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorney's fees and court costs incurred.

## 21. GENERAL.

21.1 Relationship of the Parties.

21.1.1 Independent Licensee. Franchisee is and shall be an independent licensee under this Agreement, and no partnership shall exist between Franchisee and Franchisor. This Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind

Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation, or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other franchisees of Franchisor. Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to your operation of the Franchised Business. Pursuant to the above, Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs, or judgments against Franchisor arising out of any allegation of an agent, partner, or employment relationship. Franchisee shall execute the Employment Acknowledgment Form then required by Franchisor, which form shall be in substantially the same form attached hereto as Attachment 12. Immediately upon their hire, Franchisee shall obtain from each and every management personnel, employee and any other personnel hired at the Restaurant the Employment Relationship Acknowledgment, which form shall be in substantially the same form attached hereto as Attachment 11. Franchisee acknowledges and agrees to obtain and maintain such insurance policies as outlined in Article 15, including but not limited to general liability, errors and omissions, and directors and officers, for the Restaurant and to cover and protect Franchisor against any possible lawsuits by employees.

21.1.2 No Relationship. Franchisee acknowledges and agrees that Franchisee alone exercises day-to-day control over all operations, activities, and elements of the Franchised Business, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never claim otherwise, that the various restrictions, prohibitions, specifications, and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in Franchisor's Operations Manual or otherwise, does not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitute standards Franchisee must adhere to when exercising control of the day-to-day operations of the Franchised Business.

21.1.3 Franchisee's Employees. Franchisee acknowledges and agrees that any training Franchisor provides for Franchisee's employees is geared to impart to those employees, with Franchisee's ultimate authority, the various procedures, protocols, systems, and operations of a Cilantro Taco Grill outlet and in no fashion reflects any employment relationship between Franchisor and such employees. If ever it is asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agree to assist Franchisor in defending said allegation, appearing at any venue requested by Franchisor to testify on Franchisor's behalf participate in depositions, other appearances or preparing affidavits rejecting any assertion that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees.

21.2 Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of the Franchisee entity) and its or their respective heirs, executors, administrators and successors or assigns; provided, however, the

foregoing provision shall not be construed to allow a transfer of any interest of Franchisee or Principals, if any, in this Agreement or the Franchised Business, except in accordance with Article 16 hereof.

- 21.3 Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.
- 21.4 Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Franchisee, provided that nothing in this Agreement is intended to disclaim the representations made to Franchisee in Franchisor's Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.
- 21.5 Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee and any Principals shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named.
- 21.6 Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.
- 21.7 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified mail or courier, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as set forth in the introductory paragraph of this Agreement, or at such other address or addresses as the parties may from time to time designate in writing.
- 21.8 Effect of Waivers. No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part thereof at any place other than at the Franchised Business location shall not give Franchisee any rights not specifically granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to the Franchised Business location.
- 21.9 Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of

this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article 17 shall not discharge or release Franchisee or any Principal from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

- 21.10 Consent to Do Business Electronically. The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the State of Illinois, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement and its Addenda, and by attaching their signature electronically to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on an electronic signature as the respective party's signature.
- 21.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.
- 21.12 Survival. Any obligation of Franchisee or any Principal that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or any Principal therein shall be deemed to survive such termination, expiration or transfer.
- 21.13 Security Interest. Franchisee grants to Franchisor a security interest ("Security Interest") in all of the furniture, fixtures, equipment, signage, and realty (including Franchisee's interests under all real property and personal property leases) of the Restaurant, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Restaurant. All items in which a security interest is granted are referred to as the "Collateral".
- 21.13.1 The Security Interest is to secure payment of the following (the "Indebtedness"): all amounts due under this Agreement or otherwise by Franchisee; all sums which Franchisor may, at its option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness; all expenses, including reasonable attorneys' fees, which Franchisor incurs in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting its rights under the Security Interest and this Agreement; and all other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of Franchisee to Franchisor or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not Franchisee executes any extension agreement or renewal instruments. Franchisor's security interest, as described herein, shall be subordinated to any financing related to Franchisee's



operation of the Restaurant, including, but not limited to, a real property mortgage and equipment leases.

21.13.2 Franchisee will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in a form satisfactory to Franchisor.

21.13.3 Upon default and termination of Franchisee’s rights under this Agreement, Franchisor shall have the immediate right to possession and use of the Collateral.

21.13.4 Franchisee agrees that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at Franchisor’s option and without notice, become due and payable immediately, and Franchisor shall then have the rights, options, duties, and remedies of a secured party, and Franchisee shall have the rights and duties of a debtor under the Uniform Commercial Code of Illinois (or other applicable law), including, without limitation, Franchisor’s right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by Franchisor in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to Franchisee pursuant to the notice provisions set forth above.

21.13.5 This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

The parties hereto have executed this Franchise Agreement in the day and year first above written.

FRANCHISEE:

FRANCHISOR:  
CTG FRANCHISE LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: Cuahutémoc Morfin  
Title: Owner  
Date: \_\_\_\_\_

PRINCIPAL:

\_\_\_\_\_  
Name: \_\_\_\_\_

## ATTACHMENT 1

### TRADEMARKS

Service Mark:

Cilantro Taco Grill



**ATTACHMENT 2**

**TERRITORY DESCRIPTION AND ACCEPTED LOCATION**

Territory (insert map and/or define by zip codes):

The Territory will be depicted on the map(s) attached to this Attachment 2. However, if there is an inconsistency between the language in this Attachment 2 and the attached map(s), the language in this Attachment 2 shall control. All street boundaries will be deemed to end at the street center line unless otherwise specified.

Accepted Location Address:

**\*\*TERRITORY AND ADDRESS TO BE DETERMINED AFTER AN ACCEPTED LOCATION IS FOUND AND THE PARTIES AGREE TO SIGN A REVISED ATTACHMENT 2.**

ACCEPTED:

FRANCHISEE:

\_\_\_\_\_

FRANCHISOR:

CTG FRANCHISE LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: Cuahutémoc Morfin

Title: Owner

Date: \_\_\_\_\_

PRINCIPAL:

\_\_\_\_\_

Name: \_\_\_\_\_

**ATTACHMENT 3**

**GENERAL RELEASE**

\_\_\_\_\_ (“Franchisee”) and its principal(s):  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(a) Franchisee and Franchisee’s Principal(s) do, for themselves and their successors and assigns, hereby release and forever discharge generally \_\_\_\_\_ (“Franchisor”) and any affiliate, wholly owned or controlled limited liability company, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, agent, executor, administrator, estate, trustee or heir of any of them (the “Released Franchisor Party”), from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Franchisee or Franchisee’s Principal(s) may now have, or may hereafter claim to have or to have acquired of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and antitrust statutes, rules or regulations, in any way arising out of or connected with the Franchise Agreement or this General Release, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against any Released Franchisor Party, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this General Release. In the event Franchisee or Franchisee’s Principal(s) breaches any of the promises, covenants, or undertakings made herein by any act or omission, Franchisee and Franchisee’s Principal(s) shall pay, by way of indemnification, all costs and expenses of any Released Franchisor Party caused by the act or omission, including reasonable attorneys’ fees and costs.

(b) Franchisee and Franchisee’s Principal(s) represent and warrant that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Franchisee or Franchisee’s Principal(s) to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand, or suit shall be made or institute against any Released Franchisor Party because of any such purported assignment, transfer or subrogation, Franchisee and Franchisee’s Principal(s) agree to indemnify and hold such Released Franchisor Party free and harmless from and against any such claim, demand, or suit, including reasonable costs and attorneys’ fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

(c) THIS RELEASE IS A GENERAL RELEASE AND THE PARTIES INTEND AND AGREE THAT IT SHALL BE INTERPRETED, CONSTRUED AND ENFORCED AS SUCH.

(d) Franchisee and Franchisee’s Principal(s) acknowledge, warrant, and represent that no promises, representations, or inducements, except as set forth in this General Release, have been offered

or made by any Franchisor Released Party to secure the execution of this General Release, and that this General Release is executed without reliance on any statements or any representations not contained herein. Franchisee and Franchisee's Principal(s) knowingly waive (1) any claim that this General Release was induced by any misrepresentation or nondisclosure, and (2) any right to rescind or avoid this General Release based upon presently existing facts, known or unknown.

FRANCHISEE AND FRANCHISEE'S PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. Franchisee and Franchisee's Principal(s) also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Released Franchisor Party with respect to any Franchisee Released Claim, and Franchisee and Franchisee's Principal(s) shall defend, indemnify, and hold harmless each of Franchisor Releasees against same.

Executed as of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PRINCIPAL:

\_\_\_\_\_  
Name: \_\_\_\_\_

**ATTACHMENT 4**

**ACH AUTHORIZATION**

**AUTOMATIC DEPOSITS (ACH WITHDRAWALS)**

Franchisor Name: CTG Franchise LLC

I (We) hereby authorize CTG Franchise LLC, hereinafter called Franchisor, to initiate debit entries to my (our) Checking Account/Savings Account (Select One) indicated below at the depository financial institution named below, and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law, and that I will be responsible for any banking fees that my institution charges.

Financial Institution Name: \_\_\_\_\_ Branch: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

ACH/Routing Number: \_\_\_\_\_ Account Number: \_\_\_\_\_  
(Nine Digits)

This authorization is to remain in full force and effect until Franchisor has received a written replacement ACH Withdrawal Form notification from me. I (We) understand that revocation of this Authorization Agreement by me (us) may constitute an event of Default under the Franchise Agreement.

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to Articles 6 and 18 of the Franchise Agreement.

\_\_\_\_\_  
Print Franchisee / Account Holder Name

\_\_\_\_\_  
Print Franchisee/Co-Account Holder Name

\_\_\_\_\_  
Franchisee/ Account Holder Signature-Date

\_\_\_\_\_  
Franchisee/Co-Account Holder Signature-Date

\_\_\_\_\_  
Daytime Phone Number

\_\_\_\_\_  
Email Address

**PLEASE ATTACH A VOIDED CHECK TO THIS FORM**

Please Return Form to:  
CTG Franchise LLC  
80 West Lake Street, Northlake, Illinois 60164

**ATTACHMENT 5**

**CONDITIONAL ASSIGNMENT OF LEASE**

**CONDITIONAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned \_\_\_\_\_ ("Assignor") hereby assigns and transfers to CTG Franchise LLC, an Illinois limited liability company, with a notice address of 80 West Lake Street, Northlake, Illinois 60164 ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which shall be attached hereto (the "Lease") respecting premises commonly known as \_\_\_\_\_. This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that Assignor has full power and authority to so assign the Lease and Assignor's interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of Assignor's interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a Cilantro Taco Grill outlet between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.

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

ASSIGNOR:

DATED: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_



**CONSENT AND AGREEMENT OF LANDLORD**

To that Conditional Assignment of Lease from \_\_\_\_\_ (Assignor) to CTG Franchise LLC (Assignee) dated \_\_\_\_\_, for the property known as \_\_\_\_\_.

The undersigned Landlord under the aforescribed Lease further hereby:

- (a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;
- (b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within thirty (30) days after delivery by Landlord of notice thereof in accordance with paragraph (a) above;
- (c) Consents to the foregoing Conditional Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Landlord the assumption of the Lease by Assignee as tenant thereunder, Landlord shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the thirty (30) day period the non-monetary defaults, if any, of Assignor under the Lease;
- (d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Landlord and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.
- (e) Permits Assignee to enter upon the premises without being guilty of trespass or any other crime or tort to de-identify the premises as a Cilantro Taco Grill outlet if tenant fails to do so following termination of the Franchise Agreement or Lease, provided that Assignee shall repair any damage caused thereby.

DATED: \_\_\_\_\_, 20\_\_

LANDLORD:

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## ATTACHMENT 6

### INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT

**THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE AND TELEPHONE LISTING AGREEMENT** (the “Agreement”) is made and entered into this day of \_\_\_\_\_ (the “Effective Date”) by and between CTG Franchise LLC, an Illinois limited liability company (the “Franchisor”), and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal address located at \_\_\_\_\_ and \_\_\_\_\_’s principals: \_\_\_\_\_, an individual residing at \_\_\_\_\_ and \_\_\_\_\_, an individual residing at \_\_\_\_\_ (“Principal(s)”). \_\_\_\_\_ and Principal(s) shall be collectively referred to in this Agreement as “Franchisee”.

**WHEREAS**, Franchisee desires to enter into a franchise agreement with Franchisor for a Cilantro Taco Grill business (“Franchise Agreement”) which will allow Franchisee to conduct internet-based advertising, maintain social media and software accounts, and use telephone listings linked to the Cilantro Taco Grill brand.

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **Internet Advertising and Telephone Listings**

2.1 **Interest in Web Sites, Social Media Accounts, Other Electronic Listings and Software.** Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet web sites, the right to hyperlink to certain web sites and listings on various internet search engines, and the right to use certain software (collectively, “Electronic Advertising and Software”) related to the Franchised Business or the Marks.

2.2 **Interest in Telephone Numbers and Listings.** Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

- 2.3.1 direct all internet service providers, domain name registries, internet search engines, other listing agencies and software companies (collectively, the “Internet and Software Companies”) with which Franchisee has Electronic Advertising and Software: (i) to transfer all of Franchisee’s interest in such Electronic Advertising and Software to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising and Software, Franchisee will immediately direct the Internet and Software Companies to terminate such Electronic Advertising and Software or will take such other actions with respect to the Electronic Advertising and Software as Franchisor directs; and
- 2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Listings: (i) to transfer all Franchisee’s interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet and Software Companies to transfer all Franchisee’s interest in and to the Electronic Advertising and Software to Franchisor, or alternatively, to direct the Internet and Software Companies to terminate any or all of the Electronic Advertising and Software;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet and Software Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee's interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet and Software Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet and Software Companies and the Telephone Companies have duly transferred all Franchisee's interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and Software and/or Telephone Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet and Software Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

### 3. Miscellaneous

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet and Software Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor’s rights and powers, and all Franchisee’s obligations, under this Agreement shall be binding on Franchisee’s successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Illinois, without regard to the application of Illinois conflict of law rules.

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISEE:

FRANCHISOR:  
CTG FRANCHISE LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: Cuahutémoc Morfin  
Title: Owner  
Date: \_\_\_\_\_

PRINCIPAL:

\_\_\_\_\_  
Name: \_\_\_\_\_

ATTACHMENT 7

**STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE/ENTITY**

**Name**

**Percentage of Ownership**

DESIGNATED CONTROLLING PRINCIPAL

I, \_\_\_\_\_, agree to undertake the additional obligations and responsibilities of the “Designated Controlling Principal”, as further defined in Section 11.3.1 of the Franchise Agreement.

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

PRINCIPAL:

\_\_\_\_\_

Name: \_\_\_\_\_

## ATTACHMENT 8

### CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (the “Agreement”) is made and entered into this \_\_\_\_\_, by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), a franchisee of CTG Franchise LLC, an Illinois limited liability company (“Franchisor”), and \_\_\_\_\_, an individual (“Covenantor”), in connection with a franchise agreement.

**WHEREAS**, Franchisee and Franchisor are parties to a franchise agreement dated \_\_\_\_\_ (the “Franchise Agreement”), whereby Franchisor has granted Franchisee the right to use certain trademarks, including, the registered trademark “Cilantro Taco Grill” and design mark, and certain proprietary products, services, promotions and methods (the “System”) for the establishment and operation of Franchised Business outlets;

**WHEREAS**, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the confidential information, knowledge, know-how, techniques, contents of the Cilantro Taco Grill operations manual and other materials used in or related to the System and/or concerning the methods of operation of the System (collectively referred to as “Confidential Information”);

**WHEREAS**, the Confidential Information provides economic advantages to Franchisor and licensed users of the System, including Franchisee;

**WHEREAS**, Franchisee has acknowledged the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition; and

**WHEREAS**, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

**1. Confidentiality Agreement.**

**a.** Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Franchised Business under the Franchise Agreement.

**b.** Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

c. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Franchisee for training and assisting such employees in the operation of the Franchised Business.

d. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with Franchisee.

e. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

f. Covenantor agrees that no Confidential Information may be reproduced, in whole or in part, without written consent.

## **2. Covenants Not to Compete.**

a. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Franchisee, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of the Cilantro Taco Grill outlet or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or food service business featuring Mexican cuisine.

b. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the System, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Franchisee and continuing for two (2) years thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the Cilantro Taco Grill System to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational or supervisory capacity in any restaurant or food service business featuring Mexican cuisine within twenty (20) miles of Franchisee's restaurant or any Cilantro Taco Grill location.

c. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.



d. If the period of time or the geographic scope specified in Section 2.b. above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified.

### **3. General.**

a. Franchisee shall take full responsibility for ensuring that Covenantor acts as required by this Agreement.

b. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisee is obligated to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

c. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

d. Any failure of Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

e. THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE FRANCHISED BUSINESS IS LOCATED. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF SUCH STATE. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY THE LAWS OF SUCH STATE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE IN THE STATE WHERE THE FRANCHISED BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

f. The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement.

**g.** Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.

**h.** This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

**i.** All notices and demands required to be given hereunder shall be in writing and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or the date delivery is refused. All such notices shall be addressed to the party to be notified at the following addresses:

If directed to Franchisee: \_\_\_\_\_  
\_\_\_\_\_

If directed to Covenantor: \_\_\_\_\_  
\_\_\_\_\_

Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties.

**j.** Franchisor is an intended third party beneficiary of this Agreement, and Franchisor may take whatever action it deems necessary to enforce Covenantor's obligations hereunder. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns.

**k.** The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

The undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

COVENANTOR:

\_\_\_\_\_

Name: \_\_\_\_\_

**ATTACHMENT 9**

**FORM OF ADDENDUM TO CTG FRANCHISE LLC AGREEMENT**

## ADDENDUM TO CTG FRANCHISE LLC AGREEMENT

THIS ADDENDUM (the “Addendum”) to the Franchise Agreement is made and entered into this on \_\_\_\_\_, by and between (i) CTG Franchise LLC, an Illinois limited liability company, with its principal address at 80 West Lake Street, Northlake, Illinois 60164 (herein referred to as “Franchisor”) and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal address located at \_\_\_\_\_ and \_\_\_\_\_’s principals: \_\_\_\_\_, an individual residing at \_\_\_\_\_ and \_\_\_\_\_, an individual residing at \_\_\_\_\_ (“Principal(s)”). \_\_\_\_\_ and \_\_\_\_\_ Principal(s) shall be collectively referred to in this Agreement as “Franchisee”.

### BACKGROUND

- A. Franchisor is a franchisor of a Cilantro Taco Grill fast casual restaurant (“Restaurant”), offering authentic Mexican food, such as tacos, burritos, salads, and tortas.
- B. Franchisee has requested, and Franchisor has granted, Franchisee the right to enter into Franchisor’s form of franchise agreement, which agreement was entered into on \_\_\_\_\_, under which Franchisee is granted the right and undertakes the obligation to open and operate a Cilantro Taco Grill Restaurant located at \_\_\_\_\_ **OR** at a location to be determined (the “Franchise Agreement”).
- C. Franchisee has requested, and Franchisor has granted, that Franchisee be afforded the benefit of certain negotiated changes to the standard form of Franchisor’s franchise agreement.
- D. Accordingly, the parties wish to amend the Franchise Agreement pursuant to the terms of this Addendum.

### AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, commitments and understandings contained herein, Franchisor and Franchisee hereby agree as follows:

1. [INSERT ADDENDUM DETAILS HERE]
2. **Confidentiality.** The parties acknowledge disclosure of the terms of this Addendum would cause irreparable harm to Franchisor and that a material term of this Addendum and the consideration therefore is that the terms of this Addendum shall be held in the strictest confidence. The parties shall maintain the strict confidentiality of the terms of this Addendum except on a need-to-know basis to their attorneys or as directed by a court of law with jurisdiction over the subject matter of this Addendum. **[NOT FOR USE IN CALIFORNIA]**
3. **Defined Terms.** Terms defined in the Franchise Agreement and not defined in this Addendum have the meaning defined in the Franchise Agreement or previously executed addenda.
4. **Binding Effect.** This Addendum will inure to the benefit of, and will be binding upon, the parties hereto and their respective successors and assigns.
5. **Entire Agreement.** The Franchise Agreement, this Addendum, and previous addenda, if any, and all additional addenda executed hereafter, constitute the entire, full, and complete agreement between Franchisor and Franchisee, and supersede any and all prior agreements. In the event of any conflict or ambiguity between the terms of this Addendum and the Franchise Agreement or previous addenda, the terms of this Addendum shall control.

The parties hereto, intending to be legally bound hereby, have duly executed and delivered this Addendum the date and year first written above.

**FRANCHISEE:**

\_\_\_\_\_  
Name: \_\_\_\_\_

PRINCIPAL: [INDIVIDUAL'S NAME]

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**FRANCHISOR:**  
CTG FRANCHISE LLC

By: \_\_\_\_\_

Name: **Cuahutémoc Morfin**

Title: **Owner**

Date: \_\_\_\_\_

**ATTACHMENT 10**

**FORM OF REQUEST FOR FINANCIAL INFORMATION**

REQUEST FOR FINANCIAL INFORMATION

**This Request for Financial Information cannot be utilized by a resident of the State of Washington.**

**[\*VOID IN CALIFORNIA AND MARYLAND]**

CTG Franchise LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”, “we”) are parties to a certain Franchise Agreement dated \_\_\_\_\_ for the operation of a “Cilantro Taco Grill” Restaurant (“Franchise Agreement”).

We hereby acknowledge that we became a franchisee of Franchisor on \_\_\_\_\_ pursuant to the above referenced Franchise Agreement of same date. This request for financial information is made on \_\_\_\_\_, which is at least ninety (90) days after the date we executed said Franchise Agreement, and we are now requesting the assistance of the Franchisor by supplying us with financial information and financial modeling information relative to Cilantro Taco Grill Restaurants. Franchisor agrees to release any such financial information to Franchisee, and Franchisee represents and warrants the following facts:

1. Franchisee acknowledges and understands the Federal Trade Commission prohibits franchisors from supplying prospecting franchisees any financial information whatsoever unless that information is already disclosed in the Franchise Disclosure Document (“FDD”) and Franchisee acknowledges that no individual, corporate officer or member of the management teams for Franchisor, LLC and/or Franchisor has ever provided any financial information whatsoever prior to Franchisee becoming a franchisee of Franchisor, except as may be included in Item 19 of the FDD received by Franchisee.
2. Franchisee acknowledges that any financial information Franchisor may share with Franchisee pursuant to this request is not and will not be considered a representation or warranty of performance for Franchisee’s Restaurant and any financial information Franchisor may share with Franchisee pursuant to this request shall be deemed to be a permissible disclosure since Franchisee has entered into its Franchise Agreement prior to any such disclosure and Franchisee agrees to a full release and hold harmless of the Franchisor and its agents and representatives and agrees that it shall not seek any legal action whatsoever based upon any financial information Franchisee receives from Franchisor pursuant to this request.

Franchisee hereby agrees to indemnify and hold harmless, pay, or reimburse Franchisor, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) incurred by Franchisor in connection with any claims brought by or on behalf of Franchisee against Franchisor based on the financial information provided, including reasonable attorneys’ fees incurred by Franchisor in defending against any such claims.

By executing this Release and Hold Harmless, we, individually, and on behalf of our heirs, legal representatives, successors and assigns, hereby forever release and discharge Franchisor and its officers, directors, employees, agents and servants, including its subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Release and Hold Harmless, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities, or antitrust laws of the United States, or of any state or territory thereof.

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

PRINCIPAL:

\_\_\_\_\_

Name: \_\_\_\_\_

**ATTACHMENT 11**

**FORM OF EMPLOYMENT RELATIONSHIP ACKNOWLEDGMENT**



EMPLOYMENT RELATIONSHIP ACKNOWLEDGMENT

**\*VOID IN CALIFORNIA AND MARYLAND**

Employee Name:	(the "Employee")
Date of Hire:	
Restaurant Address:	

You understand and acknowledge that you are employed exclusively by \_\_\_\_\_ ("Franchisee") and in no manner, shape or form employed by, jointly employed by, or co-employed by CTG Franchise LLC, its affiliates and/or assigns.

Release. By executing this Acknowledgement, you individually, and on behalf of CTG Franchise LLC and its officers, directors, employees, agents and servants, including its subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Acknowledgment, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities, or antitrust laws of the United States, or of any state or territory thereof.

Indemnification. Employee hereby agrees to indemnify and hold harmless, pay, or reimburse CTG Franchise LLC, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) incurred by CTG Franchise LLC in connection with any claims brought by you or on your behalf, including reasonable attorneys' fees incurred by Franchisor in defending against any such claims.

The parties hereto have duly signed and executed this Agreement as of the date first written below.

**EMPLOYEE:**

Signature \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT 12**

**FORM OF EMPLOYMENT ACKNOWLEDGMENT**

## EMPLOYMENT ACKNOWLEDGMENT

### **[\*VOID IN CALIFORNIA AND MARYLAND]**

CTG Franchise LLC (“Franchisor”, “we”, “us” or “our”) and \_\_\_\_\_ (“Franchisee”, “you” or “your”) are parties to a Franchise Agreement dated \_\_\_\_\_ for the operation of a “Cilantro Taco Grill” Restaurant at \_\_\_\_\_ (the “Franchised Business”). In accordance with Article 21 of the Franchise Agreement, you understand and acknowledge that your employees are in no manner, shape or form employed by, jointly employed by, or co-employed by Franchisor.

It is intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason. If we incur any cost, loss, or damages as a result of any actions or omissions of you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for any such loss.

You hereby irrevocably affirm, attest, and covenant your understanding that your employees are employed exclusively by you and in no fashion are any such employees employed, jointly employed or co-employed by us. You further affirm and attest that each of your employees is under your exclusive dominion and control and never under our direct or indirect control in any fashion whatsoever. You alone hire each of your employees; set their schedules; establish their compensation rates; and pay all salaries, benefits, and employment-related liabilities (such as workers’ compensation insurance premiums/payroll taxes/Social Security contributions/unemployment insurance premiums). You alone have the ability to discipline or terminate your employees to our exclusion, and we shall have no such authority or ability.

You further attest and affirm that any minimum staffing requirements established by us are solely for the purpose of ensuring that the Franchised Business is at all times staffed at those levels necessary to operate the Franchised Business in conformity with the System and the products, services, standards of quality and efficiency, and other brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. You affirm, warrant, and understand that you may staff the Franchised Business with as many employees as you desire at any time so long as our minimal staffing levels are achieved. You also affirm and attest that any recommendations you may receive from us regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist you to efficiently operate your Franchised Business, and that you are entirely free to disregard our recommendations regarding such employee compensation.

Moreover, you affirm and attest that any training provided by us for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems, and operations of the Restaurant and in no fashion reflects any employment relationship between us and such employees. Finally, should it ever be asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, including (if necessary) appearing at any venue requested by us to testify on our behalf (and, as may be necessary, submitting yourself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that we are the employer, joint employer or co-employer of any of your employees). To the extent we are the only named party in any such investigation, action, proceeding, arbitration, or other setting to the exclusion of you, should any such appearance by you be required or requested by us, we will recompense you the reasonable costs associated with your appearing at any such venue.

Release. By executing this Acknowledgement, you individually, and on behalf of your heirs, legal representatives, successors and assigns, hereby forever release and discharge us and our officers, directors, employees, agents and servants, including our subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Acknowledgment, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities, or antitrust laws of the United States, or of any state or territory thereof.

You hereby agree to indemnify and hold harmless, pay, or reimburse us, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) incurred by us in connection with any claims brought by you or on your behalf against us based on any alleged failure to provide adequate training or to provide any other services performed by us, including reasonable attorneys' fees incurred by us in defending against any such claims.

FRANCHISEE:  
\_\_\_\_\_

FRANCHISOR:  
CTG Franchise LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: Cuahutémoc Morfin  
Title: Owner

PRINCIPAL:  
  
\_\_\_\_\_  
Name: \_\_\_\_\_

**ATTACHMENT 13**

**FORM OF HQ INITIAL TRAINING ACKNOWLEDGMENT**

HQ INITIAL TRAINING ACKNOWLEDGMENT

**\*VOID IN CALIFORNIA AND MARYLAND\***

Date: \_\_\_\_\_

To CTG Franchise LLC:

By signing below, you hereby acknowledge that CTG Franchise LLC, and its designees, have provided to you and your staff the initial training, including headquarter training, required pursuant to the Franchise Agreement dated \_\_\_\_\_ between CTG Franchise LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) for a Cilantro Taco Grill Restaurant located at: \_\_\_\_\_ (the “Restaurant”).

You further represent and warrant that Franchisor has satisfactorily completed all of its obligations pursuant to Article 10 of the Franchise Agreement, including but not limited to the following: site selection guidance, providing the prototype design plans, loaning the Franchisor’s Confidential Operations Manuals, visits to the location, reviewing the grand opening advertising campaign, providing management and operations advice, providing a list of approved suppliers and providing the initial training program, including HQ initial training. You acknowledge and affirm that you have been trained to the point that you are fully satisfied that you and your team are fully capable of opening and operating the Restaurant. By executing this Acknowledgement, you individually, and on behalf of your heirs, legal representatives, successors and assigns, hereby forever releases and discharges Franchisor and its officers, directors, employees, Fransmart, LLC and its representatives, agents and servants, including their respective subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Acknowledgment.

You hereby agree to indemnify and hold harmless, pay, or reimburse Franchisor, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) incurred by Franchisor in connection with any claims brought by you or on your behalf against Franchisor based on any alleged failure to provide adequate training or to provide any other services performed by Franchisor, including reasonable attorneys’ fees incurred by Franchisor in defending against any such claims.

By executing this Release and Hold Harmless, you, individually, and on behalf of your heirs, legal representatives, successors and assigns, hereby forever release and discharge Franchisor and its officers, directors, employees, agents and servants, including its subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Release and Hold Harmless, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities, or antitrust laws of the United States, or of any state or territory thereof.

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

PRINCIPAL:

\_\_\_\_\_

Name: \_\_\_\_\_

**EXHIBIT C**  
**MULTI-UNIT OPERATOR AGREEMENT**

**CTG FRANCHISE LLC**  
**MULTI-UNIT OPERATOR AGREEMENT**

\_\_\_\_\_  
MULTI-UNIT OPERATOR

\_\_\_\_\_  
EFFECTIVE DATE



TABLE OF CONTENTS

1. **RECITATIONS**.....1

2. **GRANT OF DEVELOPMENT RIGHTS**.....1

3. **TERM** .....2

4. **DEVELOPMENT AND FRANCHISE FEES**.....2

5. **EXERCISE OF DEVELOPMENT RIGHTS**.....3

6. **TRANSFER**.....5

7. **DEFAULT AND TERMINATION**.....8

8. **NON-DISCLOSURE AND NON-COMPETITION COVENANTS**.....10

9. **INDEMNIFICATION** .....11

10. **DISPUTE RESOLUTION**.....12

11. **GENERAL**.....14

12. **ACKNOWLEDGMENTS**.....**ERROR! BOOKMARK NOT DEFINED.**

ATTACHMENTS

- 1 - Trademarks
- 2 - Development Area
- 3- Mandatory Development Schedule

**CTG FRANCHISE LLC**  
**MULTI-UNIT OPERATOR AGREEMENT**

THIS MULTI-UNIT OPERATOR AGREEMENT (this "Agreement") is being entered into this day of \_\_\_\_\_, (the "Effective Date") by and between CTG Franchise LLC, an Illinois limited liability company with a principal business address of 80 West Lake Street, Northlake, Illinois 60164 (herein "Franchisor") and \_\_\_\_\_, an individual residing at \_\_\_\_\_ and \_\_\_\_\_, an individual residing at \_\_\_\_\_ (herein "Multi-Unit Operator").

**RECITATIONS**

Through the expenditure of considerable time, effort and money, Franchisor has developed and established unique fast-casual restaurant businesses featuring authentic Mexican food, such as tacos, burritos, salads, and tortas under the Cilantro Taco Grill trademarks, and using Franchisor's confidential operations manual ("Manual") of business practices and policies, and Franchisor's distinctive, décor, fixtures and furnishings, operations methods, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the "System").

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the Cilantro Taco Grill service mark, as set forth in Attachment 1, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the "Marks").

Franchisor continues to develop, use, and control the use of such Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System's high standards of quality, appearance, and service.

Pursuant to franchise agreements, Franchisor licenses to others the right to operate Cilantro Taco Grill outlets, using the Marks and System, in strict conformity therewith, which may be changed, improved and further developed by Franchisor from time to time (each a "Franchise Agreement").

Multi-Unit Operator understands and acknowledges the importance of Franchisor's high and uniform standards of quality, service, and appearance, and the necessity of operating franchised businesses of the System in conformity with Franchisor's standards and specifications.

Multi-Unit Operator desires to obtain the right to further develop and expand the System in accordance with the development schedule described in Section 5.2 hereof (the "Mandatory Development Schedule") within the development area described in Attachment 2 (the "Development Area"), under the System and Marks, on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows:

1. **RECITATIONS.** The Recitations set out above form part of this Agreement.

2. **GRANT OF DEVELOPMENT RIGHTS.**

2.1 Grant. Franchisor hereby grants to Multi-Unit Operator, and the Multi-Unit Operator hereby accepts from the Franchisor, on the terms and conditions set forth in this Agreement, which includes, but is not limited to, the execution of a Franchise Agreement pursuant to Section 4.1 hereof, the right to develop, construct,

open and operate one (1) Cilantro Taco Grill outlet within the Development Area set forth in Attachment 2. Multi-Unit Operator shall be granted rights to establish additional Cilantro Taco Grill outlets in the Development Area, up to the total number of outlets set forth in the Mandatory Development Schedule set forth in Section 5.2 hereof, subject to Multi-Unit Operator's full compliance with all conditions precedent to the grant of such rights outlined below, which rights shall be exercised in accordance with Section 4.1 hereof. The Development Area is typically described in terms of municipal boundaries, county boundaries or specified trade areas within a municipality. Trade areas cannot overlap or interfere with an existing trade area, designated territories or development areas. Franchisor reserves the right to provide a two (2)-mile buffer between trade areas, designated territories and development areas. Franchisor reserves the right to adjust or reassign the Development Area, including trade areas, to best serve Multi-Unit Operator's interests, or in the event there is a conflict with an existing trade area, designated territory or development area. Franchisor reserves the right to: (i) move that trade area to an unoccupied area, or (ii) refund to Multi-Unit Operator the pro-rata portion of the Development Fee that was paid for the number of outlets to be developed in those specific trade areas. The Development Rights granted to Multi-Unit Operator herein do not include the right to develop Restaurants at any Non-Traditional Sites. As used herein, a "Non-Traditional Site" includes, without limitation: gas stations or convenience stores; transportation facilities, including airports, train stations, subways and rail and bus stations; military bases and government offices; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals; hotels; business or industrial foodservice venues; venues in which food service is or may be provided by a master concessionaire or contract food service provider; Indian reservations; casinos; or any similar captive market location.

2.2 Reservation of Rights. Notwithstanding the provisions of Section 2.1 above, Multi-Unit Operator understands and agrees Franchisor fully reserves all other rights, other than as specified in this Agreement, for sales, solicitation and distribution of Cilantro Taco Grill products and services within or outside of the Development Area. This reservation of Franchisor's rights includes, but is not limited to, Franchisor's right to the rights to offer (i) other products or services not offered under the Marks, (ii) other food or beverage concepts under the Marks or other trademarks, and (iii) products or services through any channel in the Development Area other than a dedicated Cilantro Taco Grill outlet such as distribution through retail outlets, including but not limited to, grocery stores; ghost kitchens; co-branding within other food outlets; in captive market locations, such as airports and malls; and the Internet.

2.3 No License to System and Marks. Multi-Unit Operator expressly acknowledges that this Agreement is not a Franchise Agreement and does not grant to Multi-Unit Operator any right or license to operate a Cilantro Taco Grill outlet, distribute any product or service, or use the Marks. This Agreement sets forth conditions which, if fully satisfied, confer upon Multi-Unit Operator the rights to enter a Franchise Agreement with Franchisor to establish one or more Cilantro Taco Grill outlets in the Development Area only. Multi-Unit Operator's rights to open and operate a Cilantro Taco Grill outlet and use the System and Marks shall be derived only through the execution of a Franchise Agreement for each Cilantro Taco Grill outlet to be established in the Development Area.

3. **TERM.** Unless sooner terminated in accordance with this Agreement, the term of this Agreement and all rights granted by Franchisor under this Agreement shall expire on the date on which Multi-Unit Operator successfully and in a timely manner has complied with all of Multi-Unit Operator's obligations hereunder and has completed the development obligations in accordance with the Mandatory Development Schedule.

#### 4. **DEVELOPMENT AND FRANCHISE FEES.**

4.1 Multi-Unit Operator Fee. In consideration of the rights granted under this Agreement, Multi-Unit Operator shall pay Franchisor a development fee (the "Development Fee") as outlined in Attachment 3 hereto. The Development Fee is fully earned at the time this Multi-Unit Operator Agreement is signed and is not

refundable under any circumstances. Multi-Unit Operator shall pay the full amount of the Development Fee to Franchisor upon Multi-Unit Operator's execution of this Agreement.

4.2 Application of Development Fee. The Development Fee is calculated based on the number of units Multi-Unit Operator has committed to open. If Multi-Unit Operator commits to develop between five (5) and nine (9) Restaurants, Multi-Unit Operator shall pay a Development Fee of one hundred percent (100%) of the initial franchise fee for three (3) Restaurants, plus fifty percent (50%) of the initial franchise fee for each additional Restaurant. If Multi-Unit Operator commits to develop ten (10) or more Restaurants, Multi-Unit Operator shall pay a Development Fee of one hundred percent (100%) of the initial franchise fee for five (5) Restaurants, plus fifty percent (50%) of the initial franchise fee for each additional Restaurant. Contemporaneous with the execution of this Agreement, Multi-Unit Operator shall execute the initial Franchise Agreement for the first Cilantro Taco Grill outlet to be established pursuant to the Mandatory Development Schedule. Multi-Unit Operator shall receive a corresponding credit from the Development Fee, which shall be applicable to the Initial Franchise Fee due under the initial Franchise Agreement. Upon the execution of each of additional Franchise Agreement for outlets to be developed hereunder, Multi-Unit Operator shall receive a corresponding credit from the Development Fee, which shall be applicable to the Initial Franchise Fee payable pursuant to each such additional Franchise Agreement. Upon Franchisor's approval, Multi-Unit Operator may enter into the initial Franchise Agreement or any subsequent Franchise Agreement as required under this Agreement using a newly formed entity, such as a limited liability company, corporation or partnership, for the sole purpose of entering into a Franchise Agreement and operating the Cilantro Taco Grill restaurant outlet pursuant thereto, provided that Multi-Unit Operator shall also personally sign such Franchise Agreement as a principal.

## 5. EXERCISE OF DEVELOPMENT RIGHTS.

5.1 Valid Exercise. Multi-Unit Operator shall exercise the development rights granted hereunder only by entering into a separate Franchise Agreement with Franchisor for each Cilantro Taco Grill outlet for which a development right is granted. Multi-Unit Operator shall execute and deliver to Franchisor, concurrently with the execution and delivery of this Agreement, Franchisor's current form of Franchise Agreement for the first Cilantro Taco Grill outlet to be established by Multi-Unit Operator pursuant to the Mandatory Development Schedule. For each subsequent Cilantro Taco Grill outlet to be established hereunder, Multi-Unit Operator shall execute and deliver to Franchisor Franchisor's then-current form of Franchise Agreement, which shall be presented to Multi-Unit Operator together with Franchisor's then-current Franchise Disclosure Document. The then-current form of Franchise Agreement may differ from the current form of Franchise Agreement; provided however, the initial franchise fee for each additional outlet shall be the applicable amount set forth in in Section 4.1 hereof, and the royalty fee and local advertising will remain the same as the first franchise agreement. Further, Multi-Unit Operator acknowledges and agrees that Multi-Unit Operator shall not receive any initial training related to each additional Cilantro Taco Grill outlet. Multi-Unit Operator hereby waives all obligations by Franchisor to provide any training to Multi-Unit Operator contained in each Franchise Agreement, other than the initial Franchise Agreement executed concurrently with this Agreement, by and between Franchisor and Multi-Unit Operator. Multi-Unit Operator hereby acknowledges and agrees that the training Multi-Unit Operator receives pursuant to the initial Franchise Agreement executed concurrently with this Agreement is sufficient to allow Multi-Unit Operator to construct, equip, open and operate each of Multi-Unit Operator's Cilantro Taco Grill outlets in the Development Area. Within fifteen (15) days after Multi-Unit Operator's receipt of the Franchise Agreement for each outlet, Multi-Unit Operator shall return the executed Franchise Agreement to Franchisor. In the event Franchisor does not receive the properly executed Franchise Agreement within said fifteen (15) days from delivery thereof to Multi-Unit Operator, Franchisor's approval of Multi-Unit Operator's request shall be void and Multi-Unit Operator shall have no rights with respect to said site. Multi-Unit Operator shall be required to execute each Franchise Agreement and own a minimum of fifty-one percent (51%) of the issued and outstanding stock for each Restaurant to be opened pursuant to said

Franchise Agreement. In no event shall Multi-Unit Operator relinquish control over each entity operating each Restaurant.

5.2 Mandatory Development Schedule. Subsequent to Multi-Unit Operator's signing of this Agreement and the initial Franchise Agreement, and provided that all conditions in Section 5.4 hereof are satisfied or waived, then upon acceptance of each subsequent Cilantro Taco Grill outlet to be developed under the Mandatory Development Schedule, Multi-Unit Operator shall execute an additional Franchise Agreement, containing the accepted street address, for the development of a Cilantro Taco Grill outlet Notwithstanding the foregoing, Multi-Unit Operator shall open the Cilantro Taco Grill outlets in accordance with the Mandatory Development Schedule attached hereto as Attachment 3.

5.2.1 Multi-Unit Operator acknowledges and agrees that the terms of the Mandatory Development Schedule are reasonable and viable based upon Multi-Unit Operator's independent investigation and analysis. Failure by Multi-Unit Operator to adhere to the Mandatory Development Schedule (including any extensions thereof approved by Franchisor in writing pursuant to Section 5.3 below) shall constitute a material event of default under this Agreement.

5.2.2 Multi-Unit Operator shall assume all responsibility and expense for locating potential sites for Restaurants. Multi-Unit Operator acknowledges that the acceptance of a request for a site for a Restaurant by Franchisor shall not be deemed to be an assurance or guaranty that the Restaurant will operate successfully or at a profit from such site. Multi-Unit Operator understands the costs to purchase, equip and make the site operational as a Restaurant may exceed the estimate provided for in Franchisor's Franchise Disclosure Document. It shall be Multi-Unit Operator's responsibility to work with real estate, general contractors and other professionals to understand these overages and how best to accommodate for them. The uncertainty and instability of these criteria are beyond Franchisor's control, and Franchisor is not responsible if the site fails to meet Multi-Unit Operator's expectations. Multi-Unit Operator will know all costs and timetables prior to forming its opinion and sending Franchisor its request for approval.

5.2.3 Multi-Unit Operator shall exercise the development rights granted herein only by executing a Franchise Agreement for each outlet at a site located in the Development Area that has been accepted by Franchisor. Under no circumstances, however, may Multi-Unit Operator open a Restaurant for business unless and until there is a fully executed Franchise Agreement in place for such Restaurant, Multi-Unit Operator has sent Franchisor a written request to open the Restaurant for business thirty (30) days prior to the scheduled opening date, Multi-Unit Operator has received Franchisor's prior written authorization to open the Restaurant, and Franchisor is in receipt of the initial franchise fee for such Restaurant.

5.3 Extension of Mandatory Development Schedule. If Multi-Unit Operator is unable to meet the Mandatory Development Schedule for any outlet, Multi-Unit Operator may seek a reasonable extension from Franchisor. Any request for an extension must be in writing and submitted to Franchisor at least sixty (60) days prior to the Mandatory Open Date for such outlet. Franchisor shall not unreasonably withhold consent for such reasonable extension provided that Multi-Unit Operator has (i) submitted its extension request in a timely manner; (ii) demonstrated diligent efforts to meet the original Mandatory Open Date; and (iii) has at all times acted in good faith and is otherwise fulfilling its obligations under this Agreement.

5.4 Conditions to Exercise Multi-Unit Operator's Rights. All of the following conditions must be satisfied or waived, in Franchisor's sole discretion, before Franchisor grants Multi-Unit Operator the right to develop an additional Cilantro Taco Grill outlet in accordance with Section 4.1 hereof and pursuant to a Franchise Agreement:

5.4.1 Multi-Unit Operator shall (i) request and timely execute receipt of Franchisor's then-current Franchise Disclosure Document, (ii) submit to Franchisor all information and other documents requested by Franchisor prior to and as a basis for the issuance of Franchise Agreements in the

System, (iii) submit to Franchisor all financial statements reasonably requested by Franchisor, and (iv) satisfy Franchisor's then-current financial criteria for multi-unit franchisees.

5.4.2 Multi-Unit Operator shall be in full compliance with this Agreement, the Mandatory Development Schedule, and all Franchise Agreements with Franchisor and any other agreement with Franchisor or Franchisor's affiliates;

5.4.3 Multi-Unit Operator has demonstrated the management skills necessary for competent operation, organization, customer service and record keeping of an additional Cilantro Taco Grill outlet as determined by Franchisor, in Franchisor's sole discretion.

5.5 Termination for Failure of Condition. Notwithstanding anything to the contrary contained herein, in the event that Franchisor determines, in Franchisor's sole and absolute discretion, that any condition set forth in Section 5.4 hereof cannot be satisfied, Franchisor may terminate this Agreement upon written notice to Multi-Unit Operator. Termination of this Agreement in accordance with this Section 5.5 shall have no effect on the validity of any other agreement between Franchisor and Multi-Unit Operator, provided that Multi-Unit Operator is in full compliance therewith.

5.6 Franchisor's Services. Franchisor shall, at its expense, provide the following services:

5.6.1 Upon Franchisor's receipt of its requested forms and materials and Multi-Unit Operator's written request for acceptance of a site, Franchisor shall provide written approval or disapproval of Multi-Unit Operator's request.

5.6.2 Provide to Multi-Unit Operator, on loan, the prototype plans and specifications for the interior and exterior design, improvements, equipment, furnishings, décor and signs identified with the Restaurants for Multi-Unit Operator's licensed architect and general contractor to adapt to the Restaurant and as Franchisor makes available to all multi-unit operators and franchisees from time to time.

5.6.3 Review of Multi-Unit Operator's final adapted plans, specifications and blueprints for conformity to Franchisor's standards and specifications for conformity to the construction standards and specifications, upon Franchisor's receipt of Multi-Unit Operator's written request for approval thereof.

5.6.4 Conduct, at Multi-Unit Operator's request, an on-site location evaluation of the site for a Restaurant, and Multi-Unit Operator must pay Franchisor's per diem fee for its representative, as well as reimburse its representative's travel, lodging and meals.

## 6. **TRANSFER.**

6.1 Transfers by Franchisor.

6.1.1 Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation or other entity, without Multi-Unit Operator's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder. Specifically, and without limitation to the foregoing, Multi-Unit Operator expressly affirms and agrees that Franchisor may: (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of Franchisor's securities; (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors;

(iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and (v) with regard to any or all of the above sales, assignments and dispositions, Multi-Unit Operator expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the business franchised herein or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to assign Franchisor's rights in this Agreement.

- 6.1.2. Multi-Unit Operator agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Multi-Unit Operator acknowledges may be within the Development Area, proximate thereto, or proximate to any of Multi-Unit Operator's locations).
- 6.1.3. If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor or any of its affiliates to remain in any line of business or to offer or sell any products or services to Multi-Unit Operator.
- 6.2 Restrictions on Transfers by Multi-Unit Operator. Multi-Unit Operator's rights and duties under this Agreement are personal to Multi-Unit Operator, and Franchisor has made this Agreement with Multi-Unit Operator in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Multi-Unit Operator. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval. Multi-Unit Operator has represented to Franchisor that Multi-Unit Operator is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the Development Rights hereunder. Therefore, Multi-Unit Operator agrees that any attempt to assign this Agreement, prior to the time that at least twenty-five percent (25%) of the Restaurant(s) to be constructed hereunder are opened or under construction shall be deemed to be an event of default.
- 6.3 Transfers by Multi-Unit Operator. Multi-Unit Operator shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right granted or interest herein or hereunder (a "Transfer") or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless Multi-Unit Operator first obtains the written consent of Franchisor, which Franchisor may or may not grant in Franchisor's sole discretion, and subject to the following:
- 6.3.1 The proposed transferee must be an individual of good moral character and otherwise meet Franchisor's then-applicable standards for multi-unit franchisees.
- 6.3.2 The transferee must have sufficient business experience, aptitude and financial resources to operate multiple Cilantro Taco Grill outlets and to comply with this Agreement;
- 6.3.3 The transferee has agreed to complete Franchisor's HQ Initial Training program to Franchisor's satisfaction;
- 6.3.4 Multi-Unit Operator has paid all amounts owed to (i) Franchisor pursuant to this Agreement and all Franchise Agreements and other agreements between Franchisor and/or Franchisor's affiliates and Multi-Unit Operator and (ii) third-party creditors;

- 6.3.5 The transferee has executed Franchisor's then-standard form of Multi-Unit Operator Agreement, which may have terms and conditions different from this Agreement, for a term no less than the unexpired term of future development obligations due pursuant to the Mandatory Development Schedule of this Agreement;
- 6.3.6 Multi-Unit Operator and the transferee shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. Multi-Unit Operator agrees to subordinate any claims Multi-Unit Operator may have against the transferee to Franchisor and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the Franchise Disclosure Document given to the transferee;
- 6.3.7 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the transferee's development obligations. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Multi-Unit Operator's development rights on such terms and conditions. Multi-Unit Operator shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer; and
- 6.3.8 If Multi-Unit Operator, through Multi-Unit Operator or any entity, finances any part of the sale price of the Transfer, Multi-Unit Operator agrees that all obligations of the transferee under any notes, agreements or security interests to Multi-Unit Operator or Multi-Unit Operator's entity will be subordinate to the transferee's obligations to Franchisor.
- 6.4 Transfer Fee. As a condition to any Transfer, Multi-Unit Operator shall pay Franchisor a transfer fee equal to equal to fifty percent (50%) of the then-current initial franchise fee to cover Franchisor's reasonable costs in effecting the transfer.
- 6.5 Franchisor's Right of First Refusal.
- 6.5.1 If Multi-Unit Operator wishes to transfer all or part of his or her interest in this Agreement pursuant to any bona fide offer received from a third party to purchase such interest, then Multi-Unit Operator shall promptly notify Franchisor in writing of each such offer and shall provide such information and documentation relating to the offer, as Franchisor may require.
- 6.5.2 Franchisor has the right, exercisable by written notice to Multi-Unit Operator within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement for the price and on the terms and conditions contained in the offer.
- 6.5.3 Multi-Unit Operator further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the third-party offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer; (ii) at Franchisor's option, Franchisor may pay the entire purchase price at closing; (iii) Franchisor's credit will be deemed equal to the credit of any proposed transferee; (iv) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from Multi-Unit Operator all customary representations and warranties given by a seller of franchise development rights.



6.5.4 If Franchisor does not exercise its right to buy within thirty (30) days, Multi-Unit Operator may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor's prior written approval pursuant to Section 6.3 hereof. However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal.

6.6 Death or Permanent Disability. The grant of rights under this Agreement is personal to Multi-Unit Operator, and on the death or permanent disability of Multi-Unit Operator, the executor, administrator, conservator, or other personal representative of Multi-Unit Operator shall be required to transfer Multi-Unit Operator's interest in this Agreement within six (6) months from the date of death or permanent disability to a third party approved by Franchisor. Failure to transfer in accordance with the forgoing will constitute a material default and all that is granted by this Agreement will terminate. A transfer under this Section 6.6, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 6 and unless transferred by gift, devise, or inheritance, subject to the terms of Section 6.5 above. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from providing continuous and material supervision of the operation of Multi-Unit Operator's Cilantro Taco Grill outlet(s) and remaining development schedule during the six (6)-month period from its onset.

Immediately after the death or permanent disability of such person, or while the rights granted under this Agreement are owned by an executor, administrator, guardian, personal representative or trustee of that person, the Multi-Unit Operator's Cilantro Taco Grill outlet(s) and remaining development schedule shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management at a fee equal to eight percent (8%) of the Gross Revenue generated by the Multi-Unit Operator's Cilantro Taco Grill outlet(s) during Franchisor's operation thereof, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, pending transfer of the Multi-Unit Operator's Cilantro Taco Grill outlet(s) and remaining development schedule to the deceased or disabled individual's lawful heirs or successors.

## 7. **DEFAULT AND TERMINATION.**

7.1 Default and Automatic Termination. Multi-Unit Operator shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Multi-Unit Operator, if Multi-Unit Operator shall become insolvent or makes a general assignment for the benefit of creditors; or if Multi-Unit Operator files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing his or her inability to pay debts when due; or if Multi-Unit Operator is adjudicated a bankrupt or insolvent in proceedings filed against Multi-Unit Operator under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Multi-Unit Operator or other custodian for Multi-Unit Operator's business or assets is filed and consented to by Multi-Unit Operator; or if a receiver or other custodian (permanent or temporary) of Multi-Unit Operator's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Multi-Unit Operator; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Multi-Unit Operator is dissolved; or if execution is levied against Multi-Unit Operator's business or property; or if suit to foreclose any lien or mortgage against any of Multi-Unit Operator's Cilantro Taco Grill outlet premises or equipment is instituted against Multi-Unit Operator and not dismissed within thirty (30) days.

7.2 Defaults with No Opportunity to Cure. Multi-Unit Operator shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Multi-Unit Operator any opportunity to cure the default, effective immediately upon notice to Multi-Unit Operator, if Multi-Unit Operator:

7.2.1 has misrepresented or omitted material facts in applying for the development rights granted hereunder;

7.2.2 falsifies any report required to be furnished Franchisor hereunder;

7.2.3 fails to comply with any federal, state or local law, rule or regulation, applicable to the development and operations of Multi-Unit Operator's Cilantro Taco Grill outlets, including, but not limited to, Anti-Terrorism Laws and the RICO Act, and the failure to pay taxes;

7.2.4 fails to develop the Cilantro Taco Grill outlets in accordance with the Mandatory Development Schedule.

7.2.5 attempts a Transfer in violation of the provisions of Article 6 of this Agreement;

7.2.6 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks or does anything that may harm the reputation of the System or the goodwill associated with the Marks;

7.2.7 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;

7.2.8 fails to comply with the non-disclosure and non-competition covenants in Article 8 hereof;

7.2.9 defaults, or an affiliate of Multi-Unit Operator defaults, under any other agreement, including any Franchise Agreement, with Franchisor or any of its affiliates, suppliers or landlord and does not cure such default within the time period provided in such other agreement; or

7.2.10 terminates this Agreement without cause.

7.3 Curable Defaults. Multi-Unit Operator shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Multi-Unit Operator fails to cure the default within the time period set forth in this Section 7.3, effective immediately upon notice to Multi-Unit Operator, if Multi-Unit Operator:

7.3.1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)-month period, and the third such late payment in any twelve (12)-month period shall be a non-curable default under Section 7.2;

7.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 7.1 and 7.2 for which there is no opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Multi-Unit Operator

proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)-month period, and the third such default, whether monetary or non-monetary, in any twelve (12)-month period shall be a non-curable default under Section 7.2.

- 7.4 Post-Termination Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Multi-Unit Operator shall immediately terminate and Multi-Unit Operator shall (i) immediately cease all development operations pursuant to this Agreement; and (ii) comply with the non-disclosure and non-competition covenants contained in Article 8.

## 8. NON-DISCLOSURE AND NON-COMPETITION COVENANTS.

- 8.1 Confidential Information. Multi-Unit Operator acknowledges and accepts that during the term of this Agreement, Multi-Unit Operator will have access to Franchisor's trade secrets, including, but not limited to, recipes, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Multi-Unit Operator shall not, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for Multi-Unit Operator's own benefit, any Confidential Information that may be communicated to Multi-Unit Operator or of which Multi-Unit Operator may be apprised in connection with the development of Cilantro Taco Grill outlets under the terms of this Agreement. Multi-Unit Operator shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person, without Franchisor's prior written consent. The covenant in this Section 8.1 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Multi-Unit Operator.

- 8.2 Protection of Information. Multi-Unit Operator shall take all steps necessary, at Multi-Unit Operator's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Multi-Unit Operator finds that any Confidential Information has been divulged in violation of this Agreement.

- 8.3 Noncompetition Covenants. Multi-Unit Operator acknowledges that, pursuant to this Agreement, Multi-Unit Operator will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Multi-Unit Operator. Multi-Unit Operator acknowledges that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to him or her in the development and operation of Cilantro Taco Grill outlets, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Multi-Unit Operator is entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Multi-Unit Operator covenants that, except as otherwise approved in writing by Franchisor:

- 8.3.1 During the term of this Agreement, Multi-Unit Operator shall not, either directly or indirectly, for himself or herself or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of the Multi-Unit Operator's Cilantro Taco Grill outlets or of other Multi-Unit Operators or franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or food service

business featuring Mexican cuisine; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Cilantro Taco Grill Multi-Unit Operators or franchisees or Franchisor-affiliated outlets.

8.3.2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Multi-Unit Operator shall not, either directly or indirectly, for himself or herself or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of Multi-Unit Operator's Cilantro Taco Grill outlets or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or food service business featuring Mexican cuisine within twenty (20) miles of the Development Area or any Cilantro Taco Grill location; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Cilantro Taco Grill Multi-Unit Operators or franchisees.

8.4 Reasonableness of Restrictions. Multi-Unit Operator acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Multi-Unit Operator since Multi-Unit Operator has other considerable skills, experience and education which afford Multi-Unit Operator the opportunity to derive income from other endeavors.

8.5 Reduction of Time or Scope. If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article 8 or any portion thereof, without Multi-Unit Operator's consent, effective immediately upon receipt by Multi-Unit Operator of written notice thereof, and Multi-Unit Operator agrees to forthwith comply with any covenant as so modified.

8.6 Relief. Multi-Unit Operator acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Multi-Unit Operator hereby consents to the entry of an injunction prohibiting any conduct by Multi-Unit Operator in violation of the terms of the covenants not to compete set forth in this Agreement. Franchisor may further avail itself of any other legal or equitable rights and remedies which it may have under this Agreement or otherwise. Notwithstanding the generality of the foregoing, Multi-Unit Operator further understands and agrees that if it fails to comply with a non-competition covenant stated herein, Multi-Unit Operator agrees to pay to Franchisor Five Hundred Dollars (\$500) per week for each week such failure to comply continues.

8.7 No Defense. Multi-Unit Operator expressly agrees that the existence of any claims he or she 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 Section.

**9. INDEMNIFICATION.** TO THE FULLEST EXTENT PERMITTED BY LAW, MULTI-UNIT OPERATOR AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS CTG FRANCHISE LLC, CTG IP LLC AND ANY OF THE ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES

(COLLECTIVELY REFERRED TO AS THE “CILANTRO TACO GRILL INDEMNITEES”), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO THE DEVELOPMENT, OPERATION, CONDITION, OR ANY PART OF ANY OF MULTI-UNIT OPERATOR’S CILANTRO TACO GRILL OUTLETS TO BE DEVELOPED HEREUNDER, THE PRODUCTS, THE PREMISES, OR ANY ASPECT OF THE REAL ESTATE CONNECTED TO ANY OF SUCH CILANTRO TACO GRILL OUTLETS, WHETHER CAUSED BY MULTI-UNIT OPERATOR’S AGENTS OR EMPLOYEES, OR ARISING FROM MULTI-UNIT OPERATOR’S ADVERTISING OR BUSINESS PRACTICES. MULTI-UNIT OPERATOR AGREES TO PAY FOR ALL THE CILANTRO TACO GRILL INDEMNITEES’ LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS’ FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY MULTI-UNIT OPERATOR HEREUNDER. THE CILANTRO TACO GRILL INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE CILANTRO TACO GRILL INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. MULTI-UNIT OPERATOR AGREES THAT TO HOLD THE CILANTRO TACO GRILL INDEMNITEES HARMLESS, MULTI-UNIT OPERATOR WILL REIMBURSE THE CILANTRO TACO GRILL INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE CILANTRO TACO GRILL INDEMNITEES.

\_\_\_\_\_  
INITIAL

## 10. DISPUTE RESOLUTION.

10.1 Internal Dispute Resolution. Multi-Unit Operator shall first bring any claim, controversy or dispute arising out of or relating to this Agreement, the Exhibits hereto or the relationship created by this Agreement to Franchisor’s president and/or chief executive officer for resolution. After providing notice as set forth in Section 11.7 below. Multi-Unit Operator must exhaust this internal dispute resolution procedure before Multi-Unit Operator may bring Multi-Unit Operator’s dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

10.2 Mediation. At Franchisor’s option, any claim, controversy or dispute that is not resolved pursuant to Section 10.1 hereof shall be submitted to non-binding mediation. Multi-Unit Operator shall provide Franchisor with written notice of Multi-Unit Operator’s intent to pursue any unresolved claim, controversy or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor shall have thirty (30) days following receipt of Multi-Unit Operator’s notice to exercise Franchisor’s option to submit such claim, controversy or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall take place in the then-current location of Franchisor’s corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys’ fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor’s rights to mediation, as set forth herein.

### 10.3 Arbitration.

10.3.1 Except disputes not subject to alternative dispute resolution as set forth in Section 10.4, any dispute between Franchisor and Multi-Unit Operator arising out of or relating to this Agreement, the Attachments hereto or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Sections 10.1 or 10.2, will be resolved by submission to the American Arbitration Association or its successor organization to be settled by a single arbitrator in accordance with the Commercial

Arbitration Rules then in effect for such Association or successor organization. The arbitrator will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement.

10.3.2 All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 10 will be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) and the federal common law of arbitration. All hearings and other proceedings will take place in Cook County, Illinois, or the offices of the American Arbitration Association, or, if Franchisor so elects, in the county where the principal place of business of Multi-Unit Operator is then located.

10.3.3 This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Multi-Unit Operator, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived.

10.3.4 The provisions of this Section 10.3 are independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law.

10.3.5 In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith. No notice, request or demand for arbitration shall stay, postpone or rescind the effectiveness of any termination of this Agreement.

10.3.6 Except as expressly required by law, Franchisor and Multi-Unit Operator shall keep all aspects of any mediation and/or arbitration proceeding in confidence and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information. This provision shall not apply to any duly-authorized government agency.

10.4 Exceptions. Notwithstanding the requirements of Sections 10.2 or 10.3, the following claims shall not be subject to mediation or arbitration:

10.4.1 Franchisor's claims for injunctive or other extraordinary relief;

10.4.2 disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;

10.4.3 disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks; and

10.4.4 enforcement of Multi-Unit Operator's post-termination obligations, including but not limited to, Multi-Unit Operator's non-competition covenants.

10.5 Governing Law and Venue. This Agreement is made in, and shall be substantially performed in, the State of Illinois. Any claims, controversies, disputes or actions arising out of this Agreement shall be governed,

enforced and interpreted pursuant to the laws of the State of Illinois. Multi-Unit Operator, except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in Illinois. Multi-Unit Operator hereby waives all questions of personal jurisdiction for the purpose of carrying out this provision.

- 10.6 Mutual Benefit. Multi-Unit Operator and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 10.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Multi-Unit Operator and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.
- 10.7 Waiver of Jury Trial and Certain Damages. Multi-Unit Operator hereby waives, to the fullest extent permitted by law, any right to or claim for (i) a trial by jury in any action, proceeding or counterclaim brought by or against Franchisor, and (ii) any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Each of Multi-Unit Operator agrees that in the event of a dispute, Multi-Unit Operator shall be limited to the recovery of any actual damages sustained.
- 10.8 Limitations of Claims. Any and all claims asserted by Multi-Unit Operator arising out of or relating to this Agreement or the relationship among the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Multi-Unit Operator knew or should have known of the facts giving rise to such claims.
- 10.9 Attorneys' Fees. In the event of any action in law or equity by and between Franchisor and Multi-Unit Operator concerning the operation, enforcement, construction or interpretation of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorney's fees and court costs incurred.
- 10.10 Survival. The provisions of this Article 10 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Multi-Unit Operator of his/her respective interests in this Agreement.

## 11. GENERAL.

- 11.1 Independent Licensee. Multi-Unit Operator is and shall be an independent licensee under this Agreement, and no partnership shall exist between Multi-Unit Operator and Franchisor. This Agreement does not constitute Multi-Unit Operator as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Multi-Unit Operator is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Multi-Unit Operator agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other Multi-Unit Operators or franchisees of Franchisor. Pursuant to the above, Multi-Unit Operator agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs or judgments against Franchisor arising out of the relationship hereby established which specifically, but not exclusively, includes costs, losses, expenses, attorneys fees relative to assignment or the transfer of right to develop and transactional costs relative thereto, defaults under any leases, subleases, notes, receipt of revenues or any other relationships arising directly or indirectly out of the development and operation of the Cilantro Taco Grill outlets.

- 11.2 Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Multi-Unit Operator and his or her respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Multi-Unit Operator in this Agreement, except in accordance with Article 6 hereof.
- 11.3 Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.
- 11.4 Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Multi-Unit Operator, except the representations made to Multi-Unit Operator in Franchisor's Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.
- 11.5 Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Multi-Unit Operator shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Multi-Unit Operator, if more than one person is so named.
- 11.6 Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.
- 11.7 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as first above written, or at such other address or addresses as the parties may from time to time designate in writing.
- 11.8 Effect of Waivers. No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Multi-Unit Operator shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind.
- 11.9 Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Multi-Unit Operator or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article 7 shall not discharge or release Multi-Unit Operator from any liability or obligation then accrued, or any



liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

- 11.10 Consent to Do Business Electronically. The parties to this Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the State of Illinois, the parties hereby affirm to each other that they agree with the terms of this Agreement, and by attaching their signature electronically to this Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to this Agreement can rely on an electronic signature as the respective party's signature.
- 11.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.
- 11.12 Survival. Any obligation of Multi-Unit Operator that contemplates performance of such obligation after termination, expiration or transfer of this Agreement shall be deemed to survive such termination, expiration or transfer.
- 11.13 Compliance with Anti-Terrorism Laws and RICO Act. Multi-Unit Operator confirms and agrees to comply, and to assist Franchisor to the fullest extent possible in its efforts to comply, with Anti-Terrorism Laws (defined below) and the RICO Act (defined below). In connection with these compliances, Multi-Unit Operator and its Principals certify, represent, and warrant that none of its property or interests is subject to being blocked under, and that Multi-Unit Operator and its Principals otherwise are not in violation of, any of the Anti-Terrorism Laws and the RICO Act. "Anti-Terrorism Laws" mean 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 other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Multi-Unit Operator or its Principals, or any blocking of Multi-Unit Operator or its owner's and principal's assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement. Racketeer Influenced and Corrupt Organizations Act also known as the "RICO Act" under Section 901(a) of the Organized Crime Control Act is any racketeering activity as defined in 18 U.S.C. § 1961, as amended, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to such racketeering activities. Any violation of the RICO laws by Multi-Unit Operator or its Principals, or any blocking of Multi-Unit Operator or its Principals' assets under the RICO Laws, shall constitute good cause for immediate termination of this Agreement.
- 11.14 Independent Contractor. Multi-Unit Operator acknowledges and agrees, and will never contend otherwise, that Multi-Unit Operator alone will exercise day-to-day control over all operations, activities and elements of the Franchised Business and that under no circumstance shall Franchisor do so or be deemed to do so. Multi-Unit Operator further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Multi-Unit Operator is required to comply with under this Agreement, whether set forth in the Manual 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 Franchised Business, which Multi-Unit Operator alone controls, but only constitute standards Multi-Unit Operator must adhere to when exercising Multi-Unit Operator's control of the day-to-day operations of the Franchised Business.

The parties hereto have executed this Multi-Unit Operator Agreement in on the day and year first above written.

MULTI-UNIT OPERATOR:

FRANCHISOR:  
CTG FRANCHISE LLC

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Name:

By: \_\_\_\_\_

Name: Cuahutémoc Morfin

Title: Owner

Date: \_\_\_\_\_

**ATTACHMENT 1**

**TRADEMARKS**

Service Mark:

Cilantro Taco Grill



**ATTACHMENT 2**

**DEVELOPMENT AREA**

(insert map and/or define by zip codes):

The Development Area will be depicted on the map(s) attached to this Attachment 2. However, if there is an inconsistency between the language in this Attachment 2 and the attached map(s), the language in this Attachment 2 shall control. All street boundaries will be deemed to end at the street center line unless otherwise specified.

ACCEPTED:

DEVELOPER::

FRANCHISOR:  
CTG FRANCHISE LLC

\_\_\_\_\_  
Name: \_\_\_\_\_

By: \_\_\_\_\_  
Name: Cuahutémoc Morfin  
Title: Owner  
Date: \_\_\_\_\_

**ATTACHMENT 3**

**MANDATORY DEVELOPMENT SCHEDULE**

A. The Agreement authorizes and obligates the Multi-Unit Operator to establish and operate \_\_\_\_\_ ( ) “Cilantro Taco Grill” Restaurants, pursuant to a Franchise Agreement for each Restaurant, in the Development Area.

B. The following is Multi-Unit Operator’s Mandatory Development Schedule:

Restaurant Number	Restaurant Open and Operating by (“Development Deadline”)	\$ _____ Development Fee paid, per Section 4.1, on _____ (“Effective Date”)	Amount to be paid by the Multi-Unit Operator to the Franchisor	Amount Due Date
One (1)	, 20__	\$35,000		
Two (2)	, 20__	\$35,000		
Three (3)	, 20__	\$35,000		
Four (4)	, 20__	\$17,500	\$17,500	The earlier of ninety (90) days before the scheduled opening of the Restaurant or the date you sign the lease for the Restaurant premises.
Five (5)	, 20__	\$17,500	\$17,500	

ACCEPTED:

MULTI-UNIT OPERATOR:

FRANCHISOR:  
CTG FRANCHISE LLC

\_\_\_\_\_  
Name:

By: \_\_\_\_\_

Name: Cuahutémoc Morfin

Title: Owner

Date: \_\_\_\_\_

\_\_\_\_\_  
Name:

**EXHIBIT D**  
**FINANCIAL STATEMENTS**

# **CTG Franchise, LLC**

**Balance Sheet with Report of Independent Auditors  
December 31, 2022**

Table of Contents

Report of Independent Auditors.....	Page 1
Balance Sheet.....	Page 2
Notes to the Financial Statements.....	Page 3



Report of Independent Auditors

To the Member(s) of  
CTG Franchise, LLC

*Report on the Financial Statements*

We have audited the accompanying financial statements of CTG Franchise, LLC, an Illinois Limited Liability Company, which comprise the balance sheet as of December 31, 2022, and the related notes to the financial statements.

*Management's Responsibility 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; this includes 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.

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CTG Franchise, LLC as of December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

*DA Advisory Group*

Troy, MI

March 22, 2023

CTG Franchise LLC  
BALANCE SHEET  
December 31, 2022

	December 31, <u>2022</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 100,000
Total current assets	100,000
Total assets	<u>\$ 100,000</u>
LIABILITIES AND MEMBERS' EQUITY	
Total liabilities	<u>-</u>
Members' equity (deficit)	<u>100,000</u>
Total liabilities and members' equity (deficit)	<u>\$ 100,000</u>

see accompanying notes

CTG Franchise LLC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022

1. Organization

CTG Franchise LLC (the “Company”) is an Illinois Limited Liability Company. The Company was formed in December 2022 for the purpose of franchising its restaurants nationally in the United States.

For the year ended December 31, 2022, total contributions and distributions were \$0.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Estimates

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

Revenue and expenses

Operating income consists of contractual franchise royalties based on a percentage of monthly sales which are recognized as revenue in the month earned as well as revenue from other contractual agreements.

Initial franchise fees are recognized as revenue once substantially all of the initial services of the Company required by franchise agreement have been performed and no other material conditions or obligations related to the determination of substantial performance exist. For the year ended December 31, 2022, initial franchise fees were \$0.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

The Company maintains its cash in bank deposit accounts which, could exceed federally insured limits. The Company has not experienced an instance where cash held in the account exceeded insured limits since their inception and have not had losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Subsequent events

Subsequent events have been evaluated through March 22, 2023 which is the date the financial statements were available to be issued. No significant events or transactions were identified that would require adjustment to the balance sheet or disclosure.



**DA Advisory Group PLLC**  
**888 W Big Beaver Suite 200**  
**Troy, MI 48084**

**Consent of Accountant**

DA Advisory Group PLLC consents to the use in the Franchise Disclosure Document issued by CTG Franchise, LLC (“Franchisor”) with the issuance date of June 1, 2023, as it may be amended, of our report dated March 22, 2023, relating to the financial statements of Franchisor for the period ending December 31, 2022.

A handwritten signature in black ink, appearing to read "Carver".

---

DA Advisory Group PLLC

**EXHIBIT E**  
**CILANTRO TACO GRILL**  
**CONFIDENTIAL OPERATIONS MANUAL**

**TABLE OF CONTENTS**

Total number of pages: 170

Chapter 1 Overview/ The Cilantro Taco Grill Story .....	6 pages
Chapter 2 Culinary/ The Food .....	8 pages
Chapter 3 Branding/ Marketing / Graphic Design .....	20 pages
Chapter 4 Products and Sourcing.....	9 pages
Chapter 5 Handbooks.....	52 pages
Chapter 6 Operations Checklists.....	29 pages
Chapter 7 Equipment/ Kitchen Design / FOH Design.....	17 pages
Chapter 8 Cash Handling.....	15 pages
Chapter 9 Real Estate Selection.....	13 pages

**EXHIBIT F**  
**FRANCHISED OUTLETS AS OF DECEMBER 31, 2022**

NONE

**Franchise Agreements Signed But Outlet Not Open as of DECEMBER 31, 2022**

NONE

**Former Franchisees**

that 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 has not communicated with the franchisor within the 10 weeks preceding the Issuance Date of this Disclosure Document:

NONE

\*There are no multi-unit operators.

**EXHIBIT G**  
**STATE ADDENDA**

**CALIFORNIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT**

The Department of Financial Protection and Innovation for the State of California requires that certain provisions contained in franchise documents be amended to be consistent with California Franchise Investment Law, Cal. Corp. Code Section 31000 et seq., and of the Rules and Regulations promulgated thereunder. To the extent that this Disclosure Document, Franchise Agreement and Multi-Unit Operator Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended.

1. 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 AGREEMENT.
2. 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](http://www.dfpi.ca.gov).
3. Item 3 is amended to add:

Neither Franchisor nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. 8.78(a) et seq. suspending or expelling such persons from membership in such association or exchange.
4. Item 17 is amended to state:
  - (a) California Business and Professions Code Sections 2000 through 20043 provide rights to the franchisee 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.
  - (b) The Franchise Agreement and Multi-Unit Operator Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).
  - (c) The Franchise Agreement and Multi-Unit Operator Agreement contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
5. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
6. You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
7. The appropriate sections of the Franchise Agreement and Multi-Unit Operator Agreement are amended to state that the highest interest rate allowed under California law is 10% per annum.
8. The Franchise Agreement and Multi-Unit Operator Agreement require binding arbitration. The arbitration will occur in Cook County, Illinois, with the costs being borne equally by both parties. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section



1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

9. The Franchise Agreement and Multi-Unit Operator Agreement require application of the laws of Illinois. This provision may not be enforceable under California law.
10. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
11. You must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations, Title 4 for the sale of alcoholic beverages.
12. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. As long as this represents the law of the State of California, we will not interpret the Franchise Agreement as permitting or requiring maximum price limits.
13. Item 6 of the Franchise Disclosure Document and the appropriate sections of the Franchise Agreement and Multi-Unit Operator Agreement are amended to state that the highest interest rate allowed under California law is 10% per year.
14. The Franchise Agreement and Multi-Unit Operator Agreement are amended to state: No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provisions supersedes any other or inconsistent term of any document executed in connection with the franchise.

## **DISCLOSURES REQUIRED BY CONNECTICUT LAW**

In the State of Connecticut:

1. If the seller fails to deliver products, equipment or suppliers or fails to render the services necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled. Additionally, all references to fees being non-refundable are hereby void.

**The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.**

Seller: CTG Franchise LLC

## **HAWAII DISCLAIMER**

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

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

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

Registered agent in the state authorized to receive service of process: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, 335 Merchant Street, Honolulu, Hawaii 96813

**ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT,  
FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT**

The Illinois Attorney General requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Illinois Franchise Disclosure Act, 815 ILCS §§ 705/1 et seq. (1987) (the “Act”). To the extent that (i) the jurisdictional requirements of the Act are met and (ii) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

(a) To the extent any provision regarding termination or renewal of the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act §§ 815 ILCS §§ 705/19 and 705/20, the provisions of these sections of the Act will control.

(b) No franchisee shall be required to litigate any cause of action, with the exception of arbitration proceedings, arising under the Franchise Agreement or the Act outside of the State of Illinois, nor shall the Franchise Agreement provide for a choice of law provision for any state other than Illinois.

(c) Any condition, stipulation, or provision purporting to bind a franchisee to waive compliance with any provision of the Act, or any other Illinois law is void. The foregoing requirement, however, shall not prevent a franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, and shall not prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

For info about obtaining a liquor license in Illinois, see:  
<https://www.Illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

For info on becoming TIPS certified in Illinois, see:  
<https://www.tipscertified.com/tips-state-pages/Illinois/>

See: Liquor Control Act of 1934, 235 ILCS 5/ (West 2016) for Illinois Dram Shop laws.

(Signatures appear on the following page)

THE PARTIES hereto have duly executed, sealed and delivered this Addendum on

\_\_\_\_\_.

FRANCHISEE

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISOR:

CTG Franchise LLC

By: \_\_\_\_\_

Name: Cuahutémoc Morfin

Title: Owner

PRINCIPAL:

\_\_\_\_\_

Name:

**INDIANA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE INDIANA FRANCHISE DISCLOSURE LAW AND THE  
INDIANA DECEPTIVE FRANCHISE PRACTICES ACT**

The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. §§ 1 - 51 (1994) and the Indiana Deceptive Franchise Practices Act, Ind. Code Ann. § 23-2-2.7 (1985) (collectively referred to as the “Acts”). To the extent that (a) the jurisdictional requirements of the Acts are met and (b) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

- (a) To the extent the Franchise Agreement and Multi-Unit Operator Agreement contain provisions allowing the establishment of franchisor-owned outlets that are inconsistent with the Indiana Deceptive Franchise Practices Act § 23-2-2.7(2), the requirements of this section of the Indiana Act will control.
- (b) The franchisor may not make any substantial modification of the Franchise Agreement or Multi-Unit Operator Agreement without the franchisee’s or the developer’s written consent.
- (c) To the extent any provision regarding renewal or termination of the Franchise Agreement and Multi-Unit Operator Agreement is inconsistent with the Indiana Deceptive Franchise Practices Act §§ 23-2-2.7(7) and (8), the provisions of these sections of the Indiana Act will control.
- (d) Any requirement in the Franchise Agreement or Multi-Unit Operator Agreement that requires the franchisee or developer to prospectively assent to a release, assignment, novation, wavier or estoppel shall not relieve any person from liability arising under the Acts.
- (e) To the extent the covenants not to compete upon expiration or termination of the Franchise Agreement and Multi-Unit Operator Agreement are inconsistent with the Indiana Deceptive Franchise Practices Act § 23-2-2.7(9), the provisions of this section of the Indiana Act will control.
- (f) To the extent that any provision of the Franchise Agreement and Multi-Unit Operator Agreement would be deemed unenforceable pursuant to the Indiana Deceptive Franchise Practices Act § 23-2-2.7(10), as this section of the Indiana Act is interpreted and applied, such provision of the Franchise Agreement shall be so deleted therefrom.

**MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE  
AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT**

1. Item 17 of the Franchise Disclosure Document is amended to disclose: The franchise agreement and multi-unit operator agreement provides as follows:
  - (a) Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.
  - (b) Pursuant to COMAR 02.02.08.16L, any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, sale, assignment and/or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
  - (c) Our right to terminate you upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).
  - (d) This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
2. Item 13 and Item 14 of the Franchise Disclosure Document are amended to state all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
3. The appropriate sections of the Franchise Agreement and Multi-Unit Operator Agreement are amended to state that pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
4. Section 17.1 of the Franchise Agreement is hereby amended to further state that our right to terminate you upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*.)”
5. Section 20.3 of the Franchise Agreement is hereby amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
6. Section 20.8 of the Franchise Agreement and Multi-Unit Operator Agreement are hereby amended to further state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
7. Franchise and Multi-Unit Operator Agreement are amended to state that the franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive it right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
8. The Franchise Agreement, Multi-Unit Operator Agreement and Franchisee Acknowledgment are amended to include the following statement: “All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”
9. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 *et seq.*, are met independently without reference to this Amendment.

10. **“EXHIBIT H TO THE CTG FRANCHISE LLC FRANCHISE DISCLOSURE DOCUMENT: FRANCHISEE ACKNOWLEDGMENT” is void in Maryland and should not be signed by Maryland franchisees.**

11. 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

The parties hereto have duly executed this Maryland Amendment

FRANCHISEE

\_\_\_\_\_

FRANCHISOR:

CTG Franchise LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: Cuahutémoc Morfin

Title: Owner

PRINCIPAL:

\_\_\_\_\_  
Name:



**MINNESOTA ADDENDUM FRANCHISE DISLCOSURE DOCUMENT, FRANCHISE AGREEMENT  
AND MULTI-UNIT OPERATOR AGREEMENT**

1. Item 6 of the Disclosure Document, Non-Sufficient Funds Fee, is amended to state:
2. Pursuant to Minn. Stat. § 604.113, the Non-Sufficient Funds Fee is \$30.00 per occurrence. Item 17 of the Disclosure Document is amended to state:
  - (a) Minn. Stat. § 80C.21 and Minnesota Rules § 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Franchise Disclosure Document or agreement(s) shall abrogate or reduce (1) any of your rights as provided for in Minn. Stat. Chapter 80C or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
  - (b) In accordance with Minn. Stat. § 80C.14 subd. 3-5, except in certain specified cases, we will give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement. Additionally, we will not unreasonably withhold our consent to a transfer of your Cilantro Taco Grill outlet.
  - (c) In accordance with Minnesota Rules 2860.4400(D), we cannot require you to assent to a general release.
  - (d) In accordance with Minnesota Rules 2860.4400(J), we cannot require you to consent to liquidated damages.
  - (e) Minn. Stat. § 80C.17 subd. 5 requires that an action be commenced pursuant to the Franchise Act within three (3) years after the cause of action accrues.
  - (f) You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rules 2860.4400(J).
3. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee's assent to a release other than as part of a voluntary settlement of disputes. To the extent of any inconsistencies with the Minnesota Rules requirement contained in Sections 5.2.5 or 16.3.6 of the Franchise Agreement, such inconsistent provisions are hereby deleted.
4. To the extent of any inconsistencies, Section 5.3 of the Franchise Agreement is hereby amended to state:

“Except in certain specified cases as set forth in Minn. Stat. § 80C.14 subd. 4, Franchisor will give Franchisee 180 days’ notice for non-renewal of the Franchise Agreement.”
5. To the extent of any inconsistencies, Section 6.5 of the Franchise Agreement is hereby amended to state that the non-sufficient funds fee is Thirty Dollars (\$30.00) per occurrence.
6. To the extent of any inconsistencies, Sections 17.1 through 17.3 of the Franchise Agreement are hereby amended to state:

“Except in certain specified cases as set forth in Minn. Stat. § 80C.14 subd. 3, Franchisor will give Franchisee 90 days notice of termination (with 60 days to cure)”.
7. To the extent of any inconsistencies, Article 20, Dispute Resolution, of the Franchise Agreement is hereby amended to state:

“Franchisor cannot require Franchisee to: (i) conduct litigation outside Minnesota, (ii) waive a jury trial, or (iii) consent to liquidated damages, termination penalties or judgment notes. Nothing in this Franchise Agreement shall abrogate or reduce (1) any of Franchisee’s rights as provided for in Minn. Stat. Chapter 80C or (2) Franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Franchisee cannot consent to Franchisor obtaining injunctive relief. Franchisor may seek injunctive relief.”

8. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Statutes Chapter 80C are met independently without reference to this Amendment.

The parties hereto have duly executed this Minnesota Amendment

FRANCHISEE

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISOR:

CTG Franchise LLC

By: \_\_\_\_\_

Name: Cuahutémoc Morfin

Title: Owner

PRINCIPAL:

\_\_\_\_\_

Name:

**NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT  
AND MULTI-UNIT OPERATOR AGREEMENT**

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 RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOSSES, 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 Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. 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.

6. 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.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”:

However, 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.

8. 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.

9. Sections 5.2.5 and 16.3.6 of the Franchise Agreement are amended by adding the following language to each Section:

However, to the extent required by applicable law, notwithstanding the signing of a General Release, 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.

10. Section 16.1.1 of the Franchise Agreement is amended by adding the following language to this Section:

However, to the extent required by applicable law, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor’s obligations under the Franchise Agreement, in Franchisor’s good faith judgment.

11. Section 20.5 of the Franchise Agreement is amended by adding the following language:

New York Law governs any cause of action which arises under the New York General Business Law, Article 33, Sections 680-695. The provisions of this Franchise Agreement shall not be deemed a waiver of any rights conferred upon Franchisee by Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

FRANCHISEE

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PRINCIPAL:

\_\_\_\_\_  
Name:

FRANCHISOR:

CTG Franchise LLC

By: \_\_\_\_\_  
Name: Cuahutémoc Morfin  
Title: Owner

**NORTH CAROLINA LAW DISCLOSURES**

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled. (N.C.G.S. §66-95)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated \_\_\_\_\_.

FRANCHISEE

\_\_\_\_\_

FRANCHISOR:

CTG Franchise LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: Cuahutémoc Morfin

Title: Owner

PRINCIPAL:

\_\_\_\_\_

Name:

## **NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT**

1. Item 17 is amended by the addition of the following language:
  - a. Covenants not to compete on termination or expiration of a franchise or rights under a multi-unit development agreement are generally unenforceable in North Dakota, except in certain instances as provides by law.
  - b. Any provision in the franchise agreement or multi-unit development agreement which designates jurisdiction or venue or requires the franchisee/developer to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.
  - c. Any provision in the franchise agreement or multi-unit development agreement which requires a franchisee/developer to waive his or her right to a jury trial has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
  - d. Any provision requiring a franchisee/developer to sign a general release on renewal of the franchise agreement or multi-unit development agreement has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
  - e. Apart from civil liability as set forth in Section 51-19-12 of the N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee/developer is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents and it is unfair to franchise investors to require them to waive their rights under North Dakota Law.
  - f. Any provision in the franchise agreement or multi-unit development agreement requiring that the agreement be construed according to the laws of a state other than North Dakota are unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
2. Item 17(i) of the Disclosure Document and Section 18 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages. Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Disclosure Document and Franchise Agreement used in North Dakota.
3. Covenants not to compete are generally considered unenforceable in the State of North Dakota, in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law. Section 19 of the Franchise Agreement and Section 8 of the Multi-Unit Operator Agreement are amended accordingly.
4. Item 17(u) of the Disclosure Document and Article 20 of the Franchise Agreement and Section 10 of the Multi-Unit Operator Agreement are amended to provide that arbitration shall be held at a site that is agreeable to all parties.
5. Section 20 of the Franchise Agreement and Section 10 of the Multi-Unit Operator Agreement require the franchisee to consent to a waiver of exemplary and punitive damages. Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota

Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Franchise Agreement and the Multi-Unit Operator Agreement used in North Dakota.

6. Section 20 of the Franchise Agreement and Section 10 of the Multi-Unit Operator Agreement require the franchisee to consent to a limitation of claims within one year. Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, these provisions are hereby amended to provide that the statute of limitation under North Dakota Law will apply.



**RHODE ISLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,  
FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT**

1. Items 17v. and 17w., under the provisions entitled “Choice of forum” and “Choice of law,” shall be supplemented with the following language:

However, you may sue us in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. Item 17 shall be supplemented by the addition of the following language at the end of Item 17:

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

3. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Addendum to the Disclosure Document.

4. The following language shall be added at the end of Section 20.5 of the Franchise Agreement:

Notwithstanding the above, Rhode Island franchisees are permitted to bring a lawsuit in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

5. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Amendment.

The parties hereto have duly executed this Rhode Island Amendment.

FRANCHISEE

\_\_\_\_\_

FRANCHISOR:

CTG Franchise LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: Cuahutémoc Morfin

Title: Owner

PRINCIPAL:

\_\_\_\_\_

Name:

**SOUTH CAROLINA LAW DISCLOSURES**

If the seller fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_

FRANCHISEE

\_\_\_\_\_

FRANCHISOR:

CTG Franchise LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: Cuahutémoc Morfín

Title: Owner

PRINCIPAL:

\_\_\_\_\_

Name:

**VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT,  
FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT**

1. The following statements are added to Item 17.h. of the Disclosure Document

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

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

2. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Amendment.

3. 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 provisions supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed this Virginia Amendment.

FRANCHISEE

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISOR:

CTG Franchise LLC

By: \_\_\_\_\_

Name: Cuahutémoc Morfin

Title: Owner

PRINCIPAL:

\_\_\_\_\_

Name:

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT**

1. The State of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
2. 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.
3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. The Special Risk Factor Page is hereby revised to include the following:

**Company Owned Outlets Are Not Required to Contribute to the Marketing Fund.** Outlets operated by the franchisor and/or affiliates are not required to make marketing fund contributions. This means the marketing fund contributions of franchisees could be partially or completely used for the benefit of franchisor and affiliate owned outlets.

**Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.
7. Item 17 (m) of the Disclosure Document is hereby revised to delete the following: "you will indemnify us for a period of 3 years following the transfer". The corresponding language in Sections 16.3 and 16.4 of the Franchise Agreement and Sections 6.3 and 6.4 of the Multi-Unit Operator Agreement is hereby deleted.
8. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against employees unless the employee's earnings from the party seeking enforcement, when annualized, exceed one hundred thousand dollars per year (this amount will be adjusted for inflation annually).
9. Pursuant to RCW 49.62.030, noncompetition covenants are void and unenforceable against independent contractors unless the independent contractor's earnings from the party seeking enforcement exceed \$250,000 per year (this amount will also be adjusted annually).
10. Chapter 49.62 RCW establishes a presumption that non-competition covenants exceeding 18 months after termination of employment are unreasonable and unenforceable.

11. Further, RCW 49.62.050 declares that any contractual provision that requires a Washington-based employee or independent contractor to adjudicate a noncompetition covenant outside of the state, or that deprives such person of the protections and benefits of this law, is void and unenforceable.

12. RCW 19.100.220(2) provides that any agreement, condition, stipulation or provision purporting to bind any person to waive compliance with RCW 19.100 or any rule or order thereunder is void. To the extent that Section 20.8 of the Franchise Agreement or Section 10.8 of the Multi-Unit Operator Agreement contravenes RCW 19.100.220(2) by requiring a franchisee to limit the time period beyond the limit imposed by the statute or waive remedies based on alleged fraud, misrepresentation, or deceit, the foregoing Sections are amended to comply with RCW 19.100.220(2).

13. Section 8.1.5 of the Franchise Agreement is hereby revised by deleting the following: “Franchisee agrees to a full release and holds harmless Franchisor and its agents and representatives and Franchisee agrees that it shall not seek any legal action whatsoever based upon any financial information it receives from Franchisor pursuant to this request.” Likewise, the corresponding language shall be removed from the Form Request for Financial Information for any Washington franchisee prior to its execution.

14. Section 16.3.6 of the Franchise Agreement is hereby revised by deleting the following: “and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the Franchise Disclosure Document given to the transferee”.

15. RCW 19.100.180(2)(j) prohibits the termination of a franchise agreement before the end of its term without good cause; therefore, Section 16.10 of the Franchise Agreement shall not apply to Washington franchisees.

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

17. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Law are met independently without reference to this Amendment.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE  
\_\_\_\_\_

FRANCHISOR:  
CTG Franchise LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: Cuahutémoc Morfin  
Title: Owner

PRINCIPAL:  
\_\_\_\_\_  
Name:

**EXHIBIT H**  
**FRANCHISEE ACKNOWLEDGEMENT STATEMENT**

**\*NOT FOR USE IN CALIFORNIA AND MARYLAND**

As you know, CTG Franchise LLC (the “Franchisor”) and you are preparing to enter into a franchise agreement (the “Franchise Agreement”) for the establishment and operation of a Cilantro Taco Grill franchised business (the “Franchised Business”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of Fransmart, LLC (“Fransmart”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing franchisee, you may have received information from the transferring franchisee, who is not an employee or representative of ours. The questions below do not apply to any communications that you had with the transferring franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

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

1. I am not seeking to enter into a Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee.

\_\_\_\_\_  
Initials

2. I had my first face-to-face meeting with a Franchisor representative on \_\_\_\_\_ (mm/dd/yyyy).

\_\_\_\_\_  
Initials

3. I received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to me.

\_\_\_\_\_  
Initials

4. If you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you, please initial below. If you do not, please do not initial. Please indicate which information you do not understand below.

\_\_\_\_\_  
Initials

I do not understand the following information contained in the Franchise Agreement, an Addendum, and/or related agreement:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. I have received and personally reviewed the Franchisor's Disclosure Document that was provided to me.

\_\_\_\_\_  
Initials                      Date Received \_\_\_\_\_

6. I signed a receipt for the Disclosure Document indicating the date I received it.

\_\_\_\_\_  
Initials                      Date Received \_\_\_\_\_

7. If you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document, please initial below. If you do not, please do not initial. Please indicate which information you do not understand below.

\_\_\_\_\_  
Initials

I do not understand the following information in the Disclosure Document and/or Addendum:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. I have discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor. If you wish to have more time to do so, please do not initial below.

---

Initials

9. I understand that the success or failure of my Franchised Business will depend in large part upon my decisions, skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, my management capabilities and other economic, and business factors.

---

Initials

10. No employee of Fransmart or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits, opening costs or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document.

---

Initials

11. No employee of Fransmart or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money I may earn in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document.

---

Initials

12. No employee of Fransmart or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document.

---

Initials

13. No employee of Fransmart or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs I may incur in opening and/or operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document.

---

Initials

14. No employee of Fransmart or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that I should or might expect to achieve from operating a Franchised Business.



\_\_\_\_\_  
Initials

15. No employee of Fransmart or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to me that is contrary to, or different from, the information contained in the Disclosure Document or Franchise Agreement.

\_\_\_\_\_  
Initials

16. I have not entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today.

\_\_\_\_\_  
Initials

17. I have not paid any money to the Franchisor concerning the purchase of this franchise prior to today.

\_\_\_\_\_  
Initials

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, provide the names of each franchisee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

19. I agree to sign an HQ Initial Training Acknowledgment affirming that the HQ Initial Training (attachment 14 to the franchise agreement) I receive from the Franchisor, and/or its designees, meets the requirements outlined in the Franchise Agreement.

\_\_\_\_\_  
Initials

By requesting my graduation from the HQ Initial Training program you affirm that the Franchisor has met its obligations. Do not sign the HQ Initial Training Acknowledgment unless and until you feel the Franchisor has fulfilled its obligations. You will not be deemed a graduate of HQ Initial Training program until you complete all requests and sign the HQ Initial Training Acknowledgment.

20. I agree to sign a Pre-Opening Assistance and Training Acknowledgment affirming the on-site pre-opening assistance and training I receive from Franchisor during the scheduled opening of the Franchised Business meets the requirements outlined in the Franchise Agreement.

---

Initials

By requesting your graduation from Pre-Opening Assistance and Training program you will be affirming that Franchisor has fulfilled its obligations. Do not sign the Pre-Opening Assistance and Training Acknowledgment unless and until you feel Franchisor has fulfilled its obligation. You will not be deemed a graduate of the Pre-Opening Assistance and Training program until you have completed all requests and sign the Pre-Opening Assistance and Training Acknowledgment.

21. I agree to sign a Request by Franchisee for Financial Information (Attachment 11 to the Franchise Agreement) in the event that I request to receive financial information from the Franchisor and acknowledge that such information shared pursuant to this request shall be deemed to be a permissible disclosure since I have entered into the Franchise Agreement prior to any such disclosure and I agree to fully release and hold harmless the Franchisor and its agents and representatives and agree that I will not seek any legal action whatsoever based upon any financial information I receive from Franchisor pursuant to this request.

---

Initials

22. I agree to enter into an Addendum (Attachment 10 to the Franchise Agreement) in the event the Franchisor and I mutually agree to revise any terms of the Franchise Agreement, whether at initial signing of the Franchise Agreement or a future date. The Addendum will include a full release and hold harmless through the date of its execution.

---

Initials

23. I have spoken to lawyers, accountants, and other professionals about this business opportunity.

---

Initials

24. I fully acknowledge that I have made the decision to enter into this Franchised Business and I have relied solely on my team of professionals in making my decision to purchase this franchise and accept all risks and responsibilities involved in opening and operating a Cilantro Taco Grill Franchised Business.

---

Initials

If you did not initial any of the foregoing statements indicating that you are unable to acknowledge the information contained therein, please provide a full explanation directly below in the space provided. If you are able to acknowledge all of the foregoing statements, please enter “not applicable” below.

---

---

---

---

I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_

\_\_\_\_\_  
(mm/dd/yyyy), and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is based upon your own independent investigation, and you have relied solely on your team of professionals in making your decision to purchase this franchise and accept all risks and responsibilities involved in opening and operating a Cilantro Taco Grill Franchised Business. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including Fransmart or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. You understand that this is a new business venture, and neither Franchisor nor Fransmart, makes any assurances as to your success. You acknowledge and agree that neither Franchisor nor Fransmart has provided you with any information not already set forth in the Franchise Disclosure Document, and you acknowledge that you have not received any information not already set forth in the Franchise Disclosure Document. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None" below.

---

---

---

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;

- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged on \_\_\_\_\_.

Sign here if you are taking the franchise as an  
INDIVIDUAL

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Legal Entity

\_\_\_\_\_  
Name

By: \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

## STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registrations in the following states having franchise disclosure laws, with the following effective dates:

<u>STATE</u>	<u>EFFECTIVE DATE</u>
California	Pending
Hawaii	
Illinois	Pending
Indiana	
Maryland	Pending
Michigan	
Minnesota	
New York	Pending
North Dakota	
Rhode Island	
South Dakota	
Virginia	Pending
Washington	
Wisconsin	

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

**EXHIBIT H**  
**RECEIPT**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If CTG Franchise LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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 CTG Franchise LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise are:

Cuahutémoc Morfin 80 West Lake Street Northlake, Illinois 60164 708-223-0422
---

Issuance Date: June 30, 2023

I received a Disclosure Document dated June 30, 2023, that included the following Exhibits:

- EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT B: Franchise Agreement with Attachments
- EXHIBIT C: Multi-Unit Operator Agreement with Attachments
- EXHIBIT D: Financial Statements
- EXHIBIT E: Confidential Operations Manual Table of Contents
- EXHIBIT F: Outlets as of December 31, 2022
- EXHIBIT G: State Addenda
- EXHIBIT H: Franchisee Acknowledgment Statement
- EXHIBIT I: Receipt

DATE: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

Please return signed receipt to CTG Franchise LLC, Attention: Cuahutémoc Morfin  
80 West Lake Street, Northlake, Illinois 60164

**EXHIBIT I**  
**RECEIPT**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If CTG Franchise LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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 CTG Franchise LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise are:

Cuahutémoc Morfin 80 West Lake Street Northlake, Illinois 60164 708-223-0422
---

Issuance Date: June 30, 2023

I received a Disclosure Document dated June 30, 2023, that included the following Exhibits:

- EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT B: Franchise Agreement with Attachments
- EXHIBIT C: Multi-Unit Operator Agreement with Attachments
- EXHIBIT D: Financial Statements
- EXHIBIT E: Confidential Operations Manual Table of Contents
- EXHIBIT F: Outlets as of December 31, 2022
- EXHIBIT G: State Addenda
- EXHIBIT H: Franchisee Acknowledgment Statement
- EXHIBIT I: Receipt

DATE: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

**KEEP FOR YOUR RECORDS**